



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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MAURA HAYES-CHAFFE
DEPUTY COMPTROLLER FOR AUDIT

BUREAU OF AUDIT

June 30, 2025

By Electronic Mail

Patricia Reilly
Executive Director
Teachers' Retirement System of the City of New York
55 Water Street
New York, NY 11201

Re: Final Audit Letter Report on the Teachers' Retirement System of the City of New York's (TRS) Other Than Personal Services (OTPS) Expenditures FN24-075A

Dear Ms. Reilly:

This Final Audit Letter Report concerns the New York City Comptroller's audit of TRS' OTPS expenditures and compliance with the relevant laws and regulations that govern them.

Background

One of the largest municipal public pension systems in the United States, TRS serves over 220,000 members, retirees, and beneficiaries, providing eligible members with retirement, disability, and death benefits. TRS members include certain educators who work for the New York City Department of Education, the City University of New York, and participating New York City Charter Schools.

TRS is governed by a seven-member Board, which is responsible for TRS' operations, and an Executive Director. To achieve its mission, TRS must appropriately manage City funds; therefore, TRS must comply with City regulations and guidance, including but not limited to New York City Procurement Policy Board Rules (PPB Rules) and Comptroller's Office Directives. TRS is a fiduciary of the funds it manages.

For Fiscal Year 2024, TRS reported approximately \$132 billion in assets and expended \$95 million in administrative expenses. Of this amount, \$47 million was classified as OTPS expenditures, which are expenses that are not related to employee salaries, wages, or fringe benefits. Examples of OTPS expenditures include, but are not limited to, office supplies, equipment, utilities, travel costs, and payments for contractual services with outside vendors.

The objectives of the audit were to determine whether TRS' OTPS expenditures were spent in accordance with TRS policies and procedures and other relevant rules and regulations, and whether those expenditures were necessary, reasonable, and well supported by documentation.

Findings

The auditors found that TRS' OTPS expenditures were, for the most part, spent in accordance with internal policies and procedures and other relevant rules and regulations, and that those expenditures were necessary and reasonable. However, the audit also found that TRS should improve its procedures for approving and documenting OTPS expenditures.

The auditors reviewed a sample of 54 OTPS expenditures incurred during FY2023 and FY2024. The results of these reviews show that:

- TRS did not provide an invoice to substantiate one payment, a violation of PPB Rules Section 4-06 (C)(4), which requires the submission of a proper invoice to initiate payment. Without the invoice, the auditors could not determine whether the payment to the vendor was properly calculated.
- TRS did not always process payments to vendors in a timely manner. Per Section 4-06 of the PPB Rules, payments to vendors shall be made within 30 days of receiving or accepting the invoice to prevent incurring interest on such payments. The auditors found that 11 (20%) of the 54 sampled OTPS invoices were paid more than 30 days after the invoice dates, without justification. In response to this finding, TRS explained that the agency pays invoices as they are received and that it has never paid a late fee; however, TRS did not provide documentation to support this explanation.
- TRS did not verify that the rates of pay listed in invoices and timesheets submitted by vendors/contractors were the same as the rates listed in the corresponding contracts. For six payments totaling \$35,587, TRS was unable to provide documentation (such as a contract) to substantiate the consultants' rates of pay, a violation of the PPB Rules which requires agencies to have written contracts with the vendor or issue purchase orders to vendors, to provide a basis for payment.
- Following a March 2022 internal audit, TRS indicated it would cease using gift cards and that it would ensure that receipt of gift cards would be acknowledged in writing. However, this audit found that the practice continues. Specifically, the auditors found that TRS purchased an unknown number of gift cards, totaling \$16,060, using agency credit cards. Using agency credit cards to purchase gift cards is also a violation of Directive 24.

The auditors also found that TRS did not consistently comply with Comptroller's Directive 6, which governs expenditures for employee travel, agency-provided meals, and refreshments when conducting official City business. Directive 6 requires employees who attend out-of-town conferences to submit justification for travel, obtain approval, and/or submit post-conference attendance reports or brief synopses.

However, for \$52,427 (67%) of the \$77,944 out-of-town travel expenses sampled for FY2024, the auditors found that some of these expenses were not sufficiently documented. Specifically, TRS did not provide:

- justification for eight employees attending four conferences;
- program/brochures for two conferences;
- justification for lodging expenses that exceeded 150% of the GSA rates or for staying in premium hotel rooms instead of standard rooms;
- justification for three employees who extended their stays after the conferences; and

- invoices or receipts to support seven payments for registration fees, car services, and lodging expenses.

Additionally, based on review of documentation provided, the auditors identified travel expenses that might not be necessary or were not allowable, including meals purchased while meals were provided to conference attendees, alcoholic beverages that were not allowed, lodging expenses for extended stays without justification, lodging expenses that exceeded the 150% GSA rates or for staying in premium hotel rooms instead of standard rooms, meal expenses that exceeded the GSA rates, laundry expenses for less than five days of domestic out-of-town travel, and unknown charges that had no description or receipts. Although TRS officials provided documentation showing that the staff paid back the alcoholic beverages, Directive 24 prohibits the use of agency credit cards to purchase alcoholic beverages even if the cardholder intends to reimburse the agency.

Furthermore, TRS did not enforce the Directive 6 requirement that limits a maximum of two employees to attend the same conference, or a maximum of two out-of-town conferences per employee each year. For example, TRS registered five employees to attend “2023 NCTR 101st Conference,” and allowed two employees to attend three different conferences. The auditors also found that post-travel attendance reports were not provided for any of the sampled trips, which is also required by Directive 6.

TRS also did not provide documentation to support a sample of out-of-town travel expenses totaling \$31,291 (or 44%) of \$71,816 reported for FY 2023, stating that the request for out-of-town travel was significant and providing the support would be difficult because TRS did not maintain the documentation by trip.

Recommendations

To prevent potential vendor disputes and unnecessary interest payments due to late payments, the auditors recommend that TRS should:

1. Ensure that invoices are received prior to initiating payment and properly maintain invoices that are received and paid.

TRS’ Response: TRS disagreed with this recommendation stating that its current process already reflects this recommended action. TRS noted that the finding is specific to invoices from one vendor, and claimed the issue was corrected.

Auditors’ Comment: TRS did not provide evidence of the claimed remediation, and in the absence of such, we reiterate the recommendation.

2. Process payments to vendors within 30 days after receiving the invoices.

TRS’ Response: TRS disagreed with this recommendation stating that it may take more than 30 days to review documentation, and noting that TRS has not yet incurred any late fees.

Auditors’ Comment: TRS should document instances when protracted reviews are necessary. Where this was provided to auditors, the finding was removed. However, TRS lacked documentation to justify the delays for the 11 late payments cited in the report.

3. Immediately cease its practice of purchasing gift cards.

TRS' Response: TRS agreed with this recommendation.

To demonstrate the benefits of attending out-of-town conferences and to increase transparency and accountability, TRS should:

4. Ensure that all out-of-town travel is justified and the associated costs are approved.

TRS' Response: TRS disagreed with this recommendation stating that all out-of-town conference travel is justified and approved either via Board resolutions or documented approval.

Auditors' Comment: While TRS stated that all out-of-town travel is justified or approved, TRS was unable to provide written approvals to support all instances of out-of-town conference attendance, as required by Directive 6.

5. Request and obtain all necessary documents before processing payments and reimbursements to avoid paying unnecessary expenses.

TRS' Response: TRS agreed with this recommendation.

6. Comply with Directive 6 requirements limiting the total number of employees to attend the same conference and the total number of conferences each employee can attend each year.

TRS' Response: While TRS acknowledges the two-trip limitation set by Directive 6, TRS declined to implement policy changes, noting that TRS obtains Board approval prior to authorizing attendance.

Auditors' Comment: The auditors recommend that additional documentation and explanatory notes, including the benefits of attendance, be maintained when the limits set in the Directive are exceeded.

7. Obtain post-travel attendance reports from each person who attends out-of-town conferences to demonstrate how the information learned can be implemented to benefit TRS.

TRS' Response: TRS agreed with this recommendation.

Recommendations Follow-up

Follow-up will be conducted periodically to determine the implementation status of each recommendation contained in this report. Agency reported status updates are included in the Audit Recommendations Tracker available here: <https://comptroller.nyc.gov/services/for-the-public/audit/audit-recommendations-tracker/>

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions within the context of our audit objectives. This audit was

conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The Comptroller is one of the seven TRS Board members by virtue of his office. The Comptroller sits on the Board through a designated representative. Neither the Comptroller nor his representative on the Board were involved in the audit process.

The scope of this audit was July 1, 2022 through June 30, 2024. The methodology for this audit consisted of the following steps; specifically, the auditors:

- obtained and reviewed the NYC Administrative Code §13-501 to 13-583, PPB Rules, and Comptroller's Directives.
- obtained and reviewed TRS' Annual Comprehensive Financial Reports (ACFR) for fiscal years that ended June 30, 2024, and June 30, 2023, by-laws, internal policies and procedures, internal audit reports, board meeting minutes related to the conduct of business, and audit committee meeting minutes.
- interviewed TRS officials to obtain a detailed understanding of the fiscal review processes, including the preparation of purchase orders, the vendor payment process, and the recording and reporting of OTPS expenditures.
- obtained an understanding of Coupa and Macola, the computer-based systems used for the procurement, recording, and reporting of OTPS expenditures, by reviewing the system manuals and observing a systems demonstration on how expenditures are recorded, approved, paid, reported, and summarized.
- reviewed supporting documents of 50 payments that were randomly selected and four high-valued payments that were judgmentally selected.
- determined the length of time TRS took to make payments based on the invoice dates.
- obtained a list of all out-of-town travel and related expenses for FYs 2023 and 2024 and randomly selected nine batches as a sample for review. The documents reviewed included but were not limited to: (a) approved expense requests; (b) approved out-of-pocket reimbursement requests; (c) itemized receipts, invoices, or folios that support the travel expenses; (d) justification for taking the trip; and (e) program information or brochures.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis for assessing whether TRS' OTPS expenditures were spent in accordance with TRS policies and procedures and other relevant rules and regulations, and whether those expenditures were necessary, reasonable, and well supported by documentation.

Preliminary results of this audit were discussed with TRS officials during the course of the audit. TRS agreed to waive the Exit Conference. On June 2, 2025, a Draft Audit Letter Report was submitted to TRS with a request for written comments. A revised draft was sent to TRS on June 17, 2025, and additional revisions were shared with TRS on June 24, 2025, after discussion with TRS officials and review of additional documentation provided. Our office received a written response from TRS dated June 26, 2025. In its response, TRS agreed to implement three of the recommendations and disagreed with the remaining four recommendations. The full response is

attached to this report as an addendum.

Sincerely,

A handwritten signature in black ink, appearing to read "Maura Hayes-Chaffe", with a long horizontal line extending to the right.

Maura Hayes-Chaffe

c: Kate Chen, Internal Audit Director, TRS



June 27, 2025

Re: Draft Audit Letter Report on the Teachers' Retirement System of the City of New York's (TRS) Other Than Personal Services (OTPS) Expenditures FN24-075A

Attn: Maura Hayes-Chaffe
Deputy Comptroller for Audit
Bureau of Audit
Office of the Comptroller
1 Centre Street
New York, NY 10007

Dear Ms. Maura Hayes-Chaffe,

We requested that the Comptroller's audit team provide us with the complete draft of the audit report and the team refused. Instead, the team provided us with excerpts of changes made. In addition, we note the following statements made in the report that the Comptroller's team did not correct:

- "TRS did not verify that the rates of pay listed in invoices and timesheets submitted by vendors / contractors were the same as the rates listed in the corresponding contract."

TRS Response: Our contractor rates of pay are agreed upon in emails between HR and the vendor. We provided the email that includes the rate associated with the requested invoice and the Comptroller's team would not accept it.

- "However, for \$52,427 (67%) of the \$77,944 of out-of-town travel expenses sampled for FY2024, the auditors found that the some of these expenses were not sufficiently documented."

TRS Response: To clarify, the auditors sampled \$52,427 of the \$77,944 out-of-town travel expenses. Of the \$52,427 sampled, some of these expenses were not sufficiently documented.

- "TRS did not provide justification for three employees who extended their stays after the conferences."

TRS Response: One employee extended her stay for administrative purposes. The two other employees did not extend their stays and this evidence was provided to the Comptroller's team.

- "The auditors identified travel expenses that might not be necessary or were not allowable, including....alcoholic beverages that were not allowed, lodging expenses for extended stays without justification, lodging expenses that exceeded the 150% GSA rates for staying in premium hotel rooms instead of standard rooms, ...laundry expenses..."

TRS Response: The alcoholic beverages and laundry were reimbursed by the employees to the agency; therefore, this should not be part of the finding. See note above regarding extended stays – we had provided evidence that for the two employees, there was no extended stay. As for the hotel rooms, attendees stay at the conference hotels per policy in the lowest priced room at the time of booking.

Please see below our response that addresses each recommendation.

Recommendations

To prevent potential vendor disputes and unnecessary interest payments due to late payments, the auditors recommend that TRS should:

1. Ensure that invoices are received prior to initiating payment and properly maintain invoices that are received and paid.

TRS Response: Our current process already reflects this recommended action. We use Coupa software to track the life cycle of a purchase including all of the required documentation and approvals, as well as receipts. The one unsupported invoice noted by the Comptroller's team was a known issue that was previously identified internally in an internal audit report published on 3/22/23. The finding is specific to invoices from one vendor, and this was remediated on 11/3/23.

2. Process payments to vendors within 30 days after receiving the invoices.

TRS Response: We pay the invoices after reviewing them. Sometimes, it takes time to work with the vendor to clarify charges before we pay the invoice, and it takes time to reconcile the invoiced items before approving them for payment. In addition, we have provided to the Comptroller's team evidence that invoices were received after the invoice date and our corresponding payments were paid timely within 30 days. To date, we have not incurred any late fees associated with these invoices.

3. Immediately cease its practice of purchasing gift cards.

TRS Response: This is already our practice not to purchase gift cards. We acknowledged there were some instances where the policy was not followed due to poor communication. The issue has been addressed. We have now ensured that the communication of the policy has been shared Agency wide.

To demonstrate the benefits of attending out-of-town conferences and to increase transparency and accountability, TRS should:

4. Ensure that all out-of-town travel is justified and the associated costs are approved.

TRS Response: All out-of-town conference travel is justified and approved either via Board resolutions or documented approval. Each conference is either related to pension systems or to the attendees' job responsibilities. Detailed statements of justification were provided to the Comptroller's team.

5. Request and obtain all necessary documents before processing payments and reimbursements to avoid paying unnecessary expenses.

TRS Response: We will continue to strengthen the current process. Specifically, the process owner will ensure that invoices include all of the required information prior to approval and payment. In addition, any charges in the hotel folios unrelated to the actual hotel stay will be separately reviewed to ensure that corresponding receipts are included. See below for our response to each of the points above that the Comptroller's team states have not been provided:

Comment	TRS Response
Justification for lodging expenses that exceeded 150% of the GSA rates or staying in premium hotel rooms instead of standard rooms	<i>Per Section 2.1.3.2 of TRS' Travel and Other Miscellaneous Business Expense Policy and Procedure, "Hotel rates that exceed federal per diem are reimbursable if the stay is at a conference hotel, or with prior written justification and approval by the Executive Director or Designee." The lodging expenses referenced by the Comptroller's team were all allowed as per our policy. As for the hotel rooms, the lowest priced room is reserved at the time of booking.</i>
Justification for three employees who extended their stays after the conferences	<i>For two employees who attended this conference, lodging was reserved before the return date was confirmed. Once the return date was confirmed and flights were booked, however, the hotel reservations were not adjusted due to oversight. We provided evidence to the Comptroller's team that these employees did not extend their stays.</i>
Invoices or receipts to support seven payments for registration fees, car services, and lodging expenses	<p><i>The seven payments were related to the following:</i></p> <ul style="list-style-type: none"> <i>• One conference registration fee associated with a conference attended by an employee and conference information was previously provided to the Comptroller's team.</i> <i>• One car service charge that was mistakenly charged on the TRS account and was subsequently reimbursed to the Agency.</i> <i>• Three hotel receipts associated with a conference stay that was prepaid using the TRS business card and these receipts were previously provided to the Comptroller's team.</i> <i>• Two hotel receipts associated with stays that were not cancelled referenced above.</i>

6. Comply with Directive 6 requirements limiting the total number of employees to attend the same conference and the total number of conferences each employee can attend each year.

TRS Response: We acknowledge Directive 6's general limits on attendance at no more than two conferences per individual. We would like to clarify that TRS has followed a long-standing practice of obtaining prior Board approval—by formal resolution and vote—for conference attendance by Trustees, the Executive Director, and her designees. These approvals pertain to conferences relevant to the fiduciary duties of the Trustees and the responsibilities of senior staff.

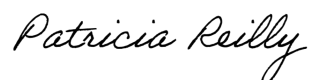
This resolution-based process provides the necessary governance approval and reflects the Board's judgment on the value of professional development and external engagement in ensuring fiduciary and operational effectiveness.

Attendance by the individuals mentioned has been conducted under the authority of these Board-approved resolutions, which we believe meets the formal governance requirements. Relevant Board resolutions were previously provided for reference.

7. Obtain post-travel attendance reports from each person who attends out-of-town conferences to demonstrate how the information learned can be implemented to benefit of TRS.

TRS Response: We will continue to strengthen the current process. Specifically, we will require post-travel attendance reports from each person who attends out-of-town conferences and retain this with the required documentation of the associated travel expenses.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Reilly".

Patricia Reilly
Executive Director