AUDIT AT A GLANCE

Fire Pension Fund Expenditures

What questions did the audit look at?

- Were the New York City Fire Pension Fund's (FPF) other than personal services (OTPS) expenditures necessary, reasonable, properly documented, and in compliance with laws and regulations that govern them?

Why does it matter for New Yorkers?

The Fire Pension Fund administers benefits to over 28,000 uniformed FDNY employees, retirees, and beneficiaries. In Fiscal Year 2024, the fund's administrative expenses totaled $11 million, which included $4.4 million in OTPS expenditures. These costs are not related to employee salaries, wages, or fringe benefits and cover everything from office supplies to consulting services.

Although the audit found that most OTPS expenditures aligned with FPF's mission and adhered to applicable rules, it found several weaknesses. FPF did not consistently comply with Comptroller's Directive #6, which governs employee travel expenses, among other things. In FY2024, five FPF employees attended two out-of-town conferences, with costs totaling $11,195. However, FPF did not provide justification for these trips.

The audit also found that FPF did not accurately report certain expenses because they were either misclassified or not reported in the year they were incurred. In FYs 2023 and 2024, FPF misclassified $2.4 million of investment-related costs as OTPS expenditures, and in FY2023, misreported $56,991 of member-related payments as OTPS expenditures. These misallocations overstated OTPS expenditures and gains of its investment portfolio.

Regarding FPF's internal controls, the audit found that FPF did not always record transactions in the general ledger in a timely manner and did not segregate duties for its OTPS expenditures. Other issues included payment delays to vendors and the absence of formal written procedures related to travel and procurement.

What changes did the agency commit to make following the audit?

- FPF agreed to report OTPS expenditures in the period they are incurred.
- FPF agreed to segregate employee duties for OTPS expenditures or establish mitigating controls, including requiring management review and dual authorization.
- FPF stated that it is testing draft travel policies and procedures.

AUDIT FINDINGS

- The Fire Pension Fund's other than personal services expenses were generally necessary and reasonable.
- FPF did not provide justification for out-of-town travel costs totaling $11,195.
- FPF misclassified certain expenses, including $2.4 million of investment-related costs and $57,000 in member-related payments.
- FPF did not segregate employee duties related to OTPS expenditures.
- FPF's internal controls could be improved.

	Audit Recommendations	Agency Response
1	Obtain post-travel attendance reports from each person who attended out-of-town conferences, to demonstrate how the information learned can be implemented to benefit FPF.	DID NOT ADDRESS[1]
2	Discontinue reporting investment and member-related payments as OTPS expenditures	DID NOT ADDRESS[2]
3	Accurately report OTPS expenditures in the period the expenses are incurred.	AGREED
4	Segregate duties for its OTPS expenditures process or implement compensating controls which include requiring management review and dual authorization, or establish other mitigating controls.	AGREED
5	Promptly record payment transactions in the general ledger	DID NOT ADDRESS[3]
6	Process payments to vendors within 30 days of receiving the invoices.	DID NOT ADDRESS[4]
7	Establish and implement internal procurement and travel policies and procedures.	PARTIALLY AGREED[5]

[1] FPF did not agree or disagree with this recommendation. FPF stated that it will continue to use Comptroller's Directives as a framework in developing its policies and procedures and consider their available resources.
[2] FPF did not agree or disagree with this recommendation, stating that the payments in question were correctly recorded as reimbursements and not misclassified. Specifically referencing that transfer contributions are non-periodic payroll (OTPS) expenses. Additionally, FPF stated that it will separate those payments in future financial statements.
[3] FPF did not agree or disagree with this recommendation, stating that staffing limitations led to delays in posting payments and the Fund is in the process of obtaining a new accounting system that will enhance timely financial reporting.
[4] FPF did not agree and disagree with this recommendation, stating that the Fund makes every effort to process payments within 30 days of receiving invoices.
[5] FPF partially agreed with this recommendation, stating that the Fund follows the PPB rules for procurement to the best extent. With regard to travel, FPF stated that it is testing draft policies and procedures to determine whether there is any room for improvement.