MARKETS

Fidelity Employees Fired After Alleged Misuse of Reimbursement Programs

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Fidelity Investments audited reimbursement programs it offered to employees for computers and physical fitness. PHOTO: BRIAN SNYDER/REUTERS

By Sarah Krouse and Rob Barry

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Fidelity Investments has fired or allowed more than 200 employees to resign over alleged misuse of workplace-benefits programs, according to people familiar with the matter.

Behind the layoffs and resignations was a company audit of computer-buying and physical-fitness benefit programs over the last year. That review found misuse in offices across the country, the people familiar said.

Regulatory records show a spike in terminations at Fidelity in the past year.

In one benefits program, Fidelity reimbursed staff for as much as 20% of the cost of computers and related equipment. In the second, the firm helped employees buy physical-fitness-related products such as FitBits.

In some instances, employees purchased equipment and immediately canceled their orders but still collected the company's reimbursement. In some of the cases, the company identified employees who had received reimbursements for as much as $2,000 for equipment they didn't keep, one of the people said.

A spokesman for Fidelity said no customers were involved or affected.

"Our employees have high standards and act in our customers' best interests," the spokesman said. "However, in the very small percentage of instances where we identify misconduct, we take appropriate action."

A Wall Street Journal's review of Financial Industry Regulatory Authority data found at least 60 Fidelity employees registered with the body were terminated or allowed to resign since early 2017 over allegations related to the benefits programs. The company alleged in all of those cases that employees were “inappropriately paid” under the computer or fitness programs.

In some cases in California and New York, Fidelity told the regulator that employees submitted “altered receipts.”

Fidelity is one of the largest financial firms in the world with a large money-management business, brokerage business and workplace investing services operation. Founded by the Johnson family in 1946, it has more than 40,000 employees and $2.45 trillion in assets under management.

Still, it hasn’t been immune from shifting consumer and institutional trends as investors have poured hundreds of billions of dollars into so-called passive funds that typically charge lower fees and match the performance of indexes. That has put an increased focus on costs firmwide.

Early last year, Fidelity said it would offer voluntary buyouts to 3,000 of its longer-tenured workers, the first program of its kind for the Boston money manager.

The recent terminations or resignations didn’t include employee severance, unlike the voluntary buyouts, the people said

For brokers and employees in roles that are overseen by Finra, Fidelity put marks on their records about the reason for their departure from the firm. Those are visible to future clients, employers and the public and are difficult and costly to remove.

Several employees who have been fired by Fidelity since late last year said they were called to meet with human resources and corporate security representatives, questioned about their purchases and compliance with the firm’s ethics policy, and in some cases shown receipts from vendors such as Apple Inc. or Best Buy Co. that proved that they had returned products. Those people say they were walked out of the building shortly after the meetings, placed on paid administrative leave and later fired.

Some say they were let go for what they describe as a simple mistake: they failed to update the company for items they purchased but later decided they didn’t want or couldn’t afford.

Tyler Konesky said he bought a laptop through the program in August 2016, around the time he was getting married. Because of his wedding expenses, he returned it but forgot to report that he had done so, Mr. Konesky said.

More than a year later in September 2017, Mr. Konesky was preparing to present a client webinar when he was called into a meeting room and questioned about the program. Days later, he was fired, he said.

“Was it poor judgment on my part? Absolutely. Do I think I should have been fired for it? No,” he said, adding that he did eventually buy a computer.

Fidelity employees who have been fired to date have worked in a variety of roles across the company and were based in offices from Salt Lake City to Boston, including Westlake, Texas, and Merrimack, N.H., the filings show. The firings have continued as recently as this week in New York and Florida, current and former employees say.

The earliest terminations related to the computer-buying program that were reported to Finra took place in Jacksonville, Fla., regulatory records show. Fidelity alleged that four brokers there had being paid for items they “never actually owned.”

That incident spurred the broader companywide review, the people familiar with the matter said.

The Journal’s analysis of Finra data found an uptick in terminations at Fidelity in 2017 and 2018 as a result of the benefits-program abuse. Overall, more than 70 Finra-registered staff were terminated from Fidelity’s brokerage and institutional services entities in 2017 and nearly 40 have been this year, up from about 30 terminations in those businesses in 2016.

—Tom McGinty and Coulter Jones contributed to this article.

Write to Sarah Krouse at sarah.krouse@wsj.com and Rob Barry at rob.barry@wsj.com