

Office of Inspector General

City of New Orleans

A Review of the New Orleans Firefighters' Pension and Relief Fund Credit Card and Expense Reimbursement Transactions

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Inspector General**

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EXECUTIVE SUMMARY

The Office of Inspector General conducted a review of the New Orleans Firefighters' Pension and Relief Fund (NOFFPRF) policies and procedures for credit card transactions and expense reimbursements from January 1, 2010 through December 31, 2012. The objective of the review was to verify that the New Orleans Firefighters' Pension Board (the board) had adequate internal controls over employee and board member credit card purchases and expense reimbursements and that those controls were operating effectively.

This report is issued to offer recommendations and observations concerning NOFFPRF policies and procedures for credit card purchases and expense reimbursements.

The review revealed that the NOFFPRF did not have a clear and comprehensive written policy for credit card transactions and expense reimbursements. The NOFFPRF also lacked a separate policy for credit card usage¹, despite the fact that nine of ten board members, one administrative employee and two individuals unrelated to the fund had unlimited access to a credit card. NOFFPRF employees and board members did not consistently submit the required supporting documentation for credit card transactions and expense reimbursement requests. The board did not review and approve the required supporting documentation for credit card transactions and expense reimbursement requests as required by its policy. NOFFPRF employees and board members made unallowable purchases on NOFFPRF credit cards which were not always reimbursed to the fund. Most reimbursements for expenses determined to be unallowable were not reimbursed in a timely manner.

The auditors noted that the board updated its policy for "Rules and Guidelines for Reimbursement of Reasonable Trustee Expenses" in a motion passed by the board on August 7, 2013. The new policy was not tested in this review, but will be tested during the follow-up to this review.

The recommendations in this report, if adopted, should improve the board's internal controls over credit card purchases and expense reimbursements, reducing the opportunity for fraud, waste and abuse.

All responses made by the board in the body of this report are direct statements from the board and have not been modified.

¹ The board's "Rules and Guidelines for Reimbursement of Reasonable Trustee Expenses" briefly discussed credit card usage and required that cardholders submit the same support as the policy required for expense reimbursements.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the review was to verify that the board had adequate internal controls over employee and board member credit card purchases and expense reimbursements and to determine if those controls were operating effectively. The review covered the period January 1, 2010 – December 31, 2012 and was prepared in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book)².

To accomplish the objective, the auditors:

1. Conducted interviews with the CEO and members of the board to gain an understanding of the internal controls in place for employee and board member credit card purchases and expense reimbursements;
2. Reviewed applicable local ordinances and state laws;
3. Reviewed the board's accounting policies and procedures;
4. Compared the board's accounting policies and procedures to the city's current policies and other best practices³;
5. Obtained credit card statements and expense reimbursements during the scope period;
6. Reviewed vendor transactions and check registers for the period tested to verify that the population was complete;
7. Tested selected credit card and expense reimbursement transactions⁴; and
8. Reviewed supporting documentation to evaluate the adequacy of controls in place and to determine if they were operating effectively in accordance with NOFFPRF policies and best practices.

The appendix outlines the population of credit card transactions incurred during the scope period.

Although this report was titled a review, the definition of a finding outlined in Generally Accepted Governmental Auditing Standards (GAGAS) for performance audits was used to define a finding in this report. GAGAS defines a finding as a material or significant⁵ weakness in controls or compliance that was not detected or corrected by the board in the normal course of performing its duties. Findings in a performance audit can be any one or a combination of the following:⁶

² Association of Inspectors General (May 2004 Revision).

³ Best practices included: Louisiana Attorney General Opinions, the Louisiana Legislative Auditor's website (<http://www.la.state.la.us/localgovernment/bestpractices/>) and professional experience and judgment.

⁴ The auditors tested 60 credit card transactions during the period January 1, 2010 through December 31, 2012, totaling \$35,014.09. The auditors also tested thirty-five employee and board member expense reimbursements for the period January 1, 2010 through December 31, 2012, totaling \$13,504.59.

⁵ Significance is a "judgment call" by the auditor and is usually based upon the frequency and magnitude of the deficiency.

⁶ General Accounting Office (July 2007 Revision). Government Auditing Standards United States Government Accountability Office by the Comptroller General of the United States. The December 2011 revision was not in effect during the period under audit. The effective period for the 2011 revision was for periods ending on or after December 15, 2012.

1. Significant deficiencies in internal control,
2. Fraud and illegal acts,
3. Violations of contract and grant agreements, and/or
4. Abuse.

This review includes findings, observations, recommendations, and conclusions relating to the controls in place over NOFFPRF credit card purchases and expense reimbursements.

Computer-processed data was provided and relied on. The data provided information on the NOFFPRF for the period of the review. A formal reliability assessment of the computer-processed data was not performed. The auditors determined that hard copy documents reviewed were reasonable and agreed with the information contained in the computer-processed data.

No errors were found that would preclude the auditors from using the computer-processed data to meet the review's objectives or that would change the conclusions in this report.

II. INTRODUCTION

The City of New Orleans was responsible for providing funding to the New Orleans Firefighters' Pension and Relief Fund. The NOFFPRF was created, pursuant to Louisiana Revised Statute 11:3361, for the purpose of providing retirement allowances and other benefits for firefighters of the City of New Orleans. The Statute stated, "...the City shall pay into the fund annually one percent of the revenues derived from all licenses issued by the city...and an annual appropriation in the budget of the city of a sum equal to not less than five percent of the money annually appropriated by the city for the operation and maintenance of the fire department of the city."

Louisiana Revised Statute 11:3375 also stated, "The board shall make report to the council of the city of New Orleans showing the condition of the pension fund on the first day of January of each year. If at any time there is not sufficient money in the fund to pay each person entitled to the benefits thereof the full amount, then the council of the city of New Orleans shall appropriate and pay into the fund an amount sufficient to make good the deficit, and the fund shall be thus replenished to warrant the payment in full of each beneficiary."

"The Fund is a component unit of the City of New Orleans and is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirement and death benefits, are provided as specified in La. R.S. 11:3361 et seq."⁷

During the period tested, the board was comprised of five active firefighters, three retired firefighters, the fire superintendent and the city's director of finance. The board's secretary/treasurer was also an employee of the NOFFPRF, serving as the chief executive officer (CEO).

The NOFFPRF elected a new board in August 2013. The new board consists of two members elected from the active firefighters, two elected from the retired members, the superintendent of the fire department, the city's director of finance, and one member who is appointed by the mayor of New Orleans and confirmed by the New Orleans City Council.

The scope of this report was limited to the period January 1, 2010 through December 31, 2012 during the tenure of the board members in office prior to August 2013.

⁷ Firefighters' Pension and Relief fund of the City of New Orleans December 31, 2011 audit report.

III. FINDINGS AND RECOMMENDATIONS

Finding # 1

Background: The NOFFPRF “Rules and Guidelines for Reimbursement of Reasonable Trustee Expenses” contained the written policy for employee and board members expense reimbursements and briefly discussed credit card transactions.

Condition: The NOFFPRF policy for credit card transactions and expense reimbursements was ambiguous, incomplete, and contrary to best practices. The audit revealed the following deficiencies in the NOFFPRF “Rules and Guidelines for Reimbursement of Reasonable Trustee Expenses”:

- The policy did not define unallowable expenses.
- The policy did not specifically require that an itemized receipt or voucher be submitted for all credit card transactions and expense reimbursements.
- The policy did not require a written explanation⁸ for all credit card transactions and expense reimbursements.
- The NOFFPRF did not have a separate credit card policy.
- The policy was silent on a time frame for reimbursement of unallowable/unapproved expenses.⁹

Recommendation: The board should revise the existing policy to define disallowed expenses and require an itemized receipt and written explanation of expense be submitted for every credit card transaction and request for reimbursement.

In addition, the board should create a separate credit card policy¹⁰ that requires the cardholders to submit the same supporting documentation that is required for expense reimbursements.

NOFFPRF Response: “We believe that the Board’s policy, as adopted on August 7, 2013 appropriately addresses allowable expenses. The Expense Committee review determines the appropriateness of expenses. Itemized receipts or written explanations are now required for all transactions. We believe our expense policy adequately addresses the use of credit cards, making the need for a separate credit card policy unnecessary. However, once the findings of this report are released, we intend to forward your recommendation for a separate credit card policy to members of the Expense Committee, who will review this recommendation and offer suggestions. Currently, cardholders submit the same supporting documentation that is required for expense reimbursements.”

⁸ The policy only required a written explanation of expense for credit card transactions and reimbursement requests exceeding \$25 that were not supported by a receipt or voucher.

⁹ Louisiana Attorney General Opinion No. 92-597 states that when an expense on a credit card is deemed personal, it should be reimbursed by the cardholder “as soon as possible after the charges are made and prior to receipt of the bill for payment by the public entity” and charges should only be made “in cases of extraordinary emergency.”

¹⁰ The board should consider referring to the City of New Orleans Policy Memorandum No. 116(R), “Credit Card Issuance and Use”, or the “Louisiana Legislative Auditor local government best practices - “Credit Cards Policy” for further guidance.

Finding # 2

Background: The NOFFPRF policy¹¹ specified some allowable expenses under the “Basis and Items of Reimbursement” section of the policy. This section of the policy only defined permissible expenses (travel, lodging, meals, telephone, per diem, etc.) incurred while attending meetings, seminars, and conferences.

Condition: NOFFPRF employees and board members made credit card purchases that were determined unallowable.

Eighteen (30%) of the sixty credit card transactions tested, totaling \$12,709, were not allowable under the “Basis and Items of Reimbursement” section of the NOFFPRF policy. Sixteen of the eighteen transactions were determined to be unallowable by virtue of a subsequent reimbursement made to the NOFFPRF by the cardholder. The remaining two unallowable transactions were for meals provided during board meetings.

Recommendation: The board should only permit allowable expenses to be charged on NOFFPRF credit cards.

NOFFPRF Response: “We agree with this finding. Implementation of this recommendation was effective on August 7, 2013. It should be noted that all nonallowable expenses noted during your review were reimbursed to the Fund with one exception which was due to clerical error.”

Finding # 3

Background: The NOFFPRF policy required that “whenever possible, a voucher or receipt for each expenditure, detailed and itemized on the report, shall be obtained and appended to the expense report.” NOFFPRF’s interpretation of “voucher or receipt for each expenditure” did not require detail of what was purchased with the card.

Condition: NOFFPRF accepted a credit card customer copy¹² which only contained the total amount charged to the card versus requiring a “voucher or receipt for each expenditure”. NOFFPRF’s acceptance of the customer copy did not provide any detail of the items purchased.

Credit Cards - NOFFPRF employees and board members who were assigned credit cards did not turn in itemized receipts for each credit card transaction. Of the sixty transactions tested, fifteen (25%) totaling \$9,168 lacked itemized receipts.

Expense Reimbursements - Employees and board members did not submit itemized receipts or supporting documentation for thirteen (37%) of the thirty-five expense reimbursements tested, totaling \$4,291.

Five of the thirteen expenses tested included mileage reimbursement; however, no supporting documentation was provided showing the miles driven.

¹¹ As Amended, Effective January 1, 2010.

¹² Credit card receipt showing amount charged and tip.

Recommendation: The board should discontinue its practice of accepting a credit card customer copy as a “voucher or receipt for each expenditure”.

NOFFPRF Response: “We agree. All expenses should be supported by an itemized receipt or written explanation documenting why the expense was incurred. We believe our current policy adopted on August 7, 2013 adequately addresses the cases of reimbursement of expenses without receipts which have been related primarily to tips and taxi fares.”

Finding # 4

Background: The NOFFPRF policy required employees and board members to provide a written explanation for “any expense incurred in excess of \$25 that is not supported by a receipt.”

Condition: The board did not enforce its policy requiring written explanations for expenses incurred.

Credit Cards - Of the fifteen credit card expenses (identified in Finding # 3) that did not have an itemized receipt, twelve expenses (80%) totaling \$9,044 did not have a written explanation for the business purpose of the expense.

Expense Reimbursements - Of the thirteen expense reimbursement expenses (identified in Finding # 3) three (23%) totaling \$1,145, did not have a written explanation of the expense.

Recommendation: The board should enforce its policy requiring written explanations for credit card transactions and reimbursement requests.

NOFFPRF Response: “The Board agrees with this recommendation. See #3 above.”

Finding # 5:

Background: The NOFFPRF policy required that all credit card transactions “shall be reviewed and approved by the Board of Trustees or the Expense Committee”. The policy also stated that “before the Trustee shall be reimbursed for any expenses incurred in the performance of his duties with the fund, he shall submit to the Board of Trustees an itemized expense accounting report, which shall then review the report to determine whether reimbursement is owed”.

Condition: The board did not enforce its stated policy to review the required support for each credit card transaction and expense reimbursement prior to payment.

Credit Cards – Although some training and travel was pre-approved, neither the board nor the Expense Committee¹³ reviewed or approved the required support for transactions for any of the sixty¹⁴ credit card expenses, totaling \$35,014, prior to payment of the credit card statement.

Expense Reimbursements - The board did not review and approve the required receipts or support before reimbursements were made. Thirty-five¹⁵ (100%) of the expense reimbursements tested, totaling \$13,505, were made without the review and prior approval of the board.

Recommendation: The board should enforce its policy to review and approve the required support for all credit card transactions and requests for reimbursement prior to payment of the credit card statements and/or expense reimbursements.

NOFFPRF Response: “Currently, the Board’s policy does not require review and approval by the Board before payment of credit card statements and/or expense reimbursements. The Board policy adopted on August 7, 2013 requires that credit card transactions and expense reimbursements are reviewed by key staff of the Fund for appropriateness and completeness prior to payment. The Expense committee reviews all reimbursements and credit card transactions quarterly. We believe the current policy as adopted is sufficient.”

¹³Although an Expense Committee was referred to throughout the policy, it was not formed until October 17, 2012. The Expense Committee did not review credit card transactions and the corresponding reports for the period tested until its first meeting on December 13, 2012. The Expense Committee’s review of credit card transactions was completed on February 21, 2013.

¹⁴ Of the sixty credit card transactions tested, twenty-six expenses were incurred for training. The board pre-approved fourteen of the twenty-six training requests.

¹⁵ Of the thirty-five expense reimbursements tested, twenty-seven expenses were incurred for training. The board pre-approved sixteen of the twenty-seven training requests.

Finding # 6:

Background: The NOFFPRF policy stated that “in the event the Board of Trustees or the Expense Committee determines that an expense charged by a Trustee is not an approved expense, the Trustee shall be personally responsible for payment of such expense”.

Condition: Unallowable expenses made on NOFFPRF credit cards were not reimbursed by the cardholders in a timely manner. Of the eighteen expenses determined to be unallowable in Finding # 2, only three were fully reimbursed timely. Refer to Table 1 below for the amounts and timing of the reimbursements:

Table 1: Analysis of Reimbursements for Unallowable Expenses on Credit Cards

Timing of Reimbursement	Number of Unallowable Expenses Reimbursed	Dollar Amount of Unallowable Expenses Incurred	Dollar Amount of Reimbursement
Reimbursed prior to payment of the statement	3.5 ¹⁶	\$1,026	\$1,026
Reimbursed > 1 month < 6 months of receipt	4	4,626	4,626
Reimbursed > 6 month < 12 months of receipt	2	2,523	2,523
Reimbursed > 12 month < 24 months of receipt	3	2,430	2,430
Reimbursed > 24 months of receipt of statement	3	1,419	1,419
Not Reimbursed	2.5 ¹⁷	685	-
Totals	18	\$12,709	\$12,024

Recommendation: The board should enforce its policy in a timely manner.

NOFFPRF Response: “We agree with this recommendation. This recommendation addresses timely reimbursement of unapproved expenses. Credit card charges are reviewed monthly before payment by key staff of the Fund. Reimbursement, if necessary, is requested at that time.”

¹⁶ One expense related to travel for a spouse was \$752. Half of this amount (\$376) was reimbursed to the fund, and the remaining amount was not reimbursed.

¹⁷ Ibid.

Finding # 7:

Background: The Louisiana Legislative Auditor’s best practices for credit cards stated that “credit cards must be placed under strict control and be available for use in *limited* cases as set forth by the board”.

Condition: The board maintained thirteen credit cards throughout the scope period.¹⁸ Nine¹⁹ of the ten board members had unlimited access to a NOFFPRF credit card. One²⁰ administrative assistant and two²¹ Board of City Trusts members also had unlimited access to a NOFFPRF credit card. Note: The Board of City Trusts is an unrelated entity to the NOFFPRF.

Recommendation: The board should reduce its number of credit cards. Employees and board members should not have unlimited access to NOFFPRF credit cards. All cards should be safeguarded and under the control of a designated person.

The NOFFPRF should never allow an unrelated third party to carry or use a NOFFPRF credit card.

NOFFPRF Response: “We agree with the recommendation. The Board policy adopted on August 7, 2013 was revised to limit access to and safeguard Fund credit cards. Credit cards are maintained by designated Fund staff until required for use. Credit cards outstanding have been reduced to 7 at the date of this report.”

¹⁸ One card was inactive in 2011. Two cards were listed as inactive as of December 31, 2012.

¹⁹ The director of finance did not have a permanent card.

²⁰ The fund had four staff employees. One of the fund’s staff employees was also a board member (Refer to Observation # 1).

²¹ One of the two cards held by the Board of City Trust members became inactive in January 2011.

IV. OBSERVATIONS

Observation #1:

Background: In December 2012, the Louisiana Board of Ethics filed charges²² against a board member. The Louisiana Board of Ethics found that the board member violated state law by “virtue of his interest in the contract with the Pension Board at a time when he was serving as Secretary/Treasurer for the Pension Board.”²³ The Louisiana Board of Ethics also found that the board member violated state law when “he resigned from his position as Secretary/Treasurer-CEO for the Pension Board and, within a two-year period, entered into an employment contract with the Pension Board to serve as Secretary/CEO.” The board member was fined \$5,000 for the ethics violations.

The board should only enter into employment contracts that are in compliance with state law.

Observation # 2: Sixteen expense reimbursements to NOFFPRF employees and board members were not included in the listing of 122 reimbursements provided by the board. The board did not provide a complete listing of reimbursements made to employees and board members. The auditors had to search through the NOFFPRF general ledger to locate a complete listing of reimbursements.

Observation # 3:

Employee and board members were permitted a ten dollar per day reimbursement for personal and business telephone calls while travelling per the NOFFPRF policy. Most individuals have cell phones and do not incur additional charges for calls.

Observation # 4: A board member was reimbursed twice within 30 days for the same fifty dollar telephone expense. The board member reimbursed the NOFFPRF fifty dollars on October 9, 2013, after the auditors notified the board of the duplicate reimbursement.

²² Louisiana Board of Ethics Consent Order No.: 2012-1729.

²³ La. R.S. 42:1113B “prohibits a member of a board or commission from entering into any contract, subcontract or being in any way interested in any transaction that is under the jurisdiction or supervision of the member board or commission.” La. R.S. 42:1121A also “prohibits an agency head, for a period of two years following the termination of his service, from assisting another person in a transaction with his former agency or render any service on a contractual basis to his former agency.” In addition, La. R.S. 42:1113 also “prohibits a public servant from entering into any contract, subcontract, or any other transaction that is under the supervision of the agency of the public servant or being in anyway interested in the transaction that is under the supervision of the agency of the public servant.”

V. CONCLUSION

The review of NOFFPRF policies and procedures regarding credit card transactions and expense reimbursements resulted in seven findings and four observations. The seven recommendations to the findings are intended to improve and clarify NOFFPRF internal controls over credit card transactions and expense reimbursements in order to decrease the opportunity for fraud, waste, and abuse. The observations serve to bring attention and emphasis to areas that the board and its members should consider and/or be made aware of.

The review revealed that the NOFFPRF policy was ambiguous, incomplete and contrary to best practices. The written policy's ambiguity allowed NOFFPRF employees and board members to incur unallowable expenses using NOFFPRF funds.

The review also revealed that the board did not consistently enforce requirements of the written policy for credit card transactions and expense reimbursements.

The auditors noted that the board revised its "Rules and Guidelines for Reimbursement of Reasonable Trustee Expenses" policy in August 2013. The recommendations in this report should be incorporated into the revised policies and the revised policies should be strictly enforced.

The recommendations in this report, if adopted, should help reduce the opportunity for fraud, waste, and abuse in the areas cited.

The OIG will conduct a follow-up review to determine if the board's response to the recommendations in this report have been implemented and are operating effectively.

VI. APPENDIX

Total # of Credit Card Transactions from 2010-2012

Credit Card Account #	# of Credit Card Transactions (A)	% of Total # of Credit Card Transactions (A/Total in Column A)	Dollar Amount of Credit Card Transactions (B)	% of Total Dollar Amount (B/ total in Column B)
141	248	34%	45,907.62	29%
142	91	12%	26,971.92	17%
143	7	1%	3,257.87	2%
144	22	3%	9,232.94	6%
145	26	4%	7,972.26	5%
146	74	10%	18,455.32	11%
147	31	4%	8,391.55	5%
148	2	0%	1,910.04	1%
149	2	0%	1,389.51	1%
150	0	0%	-	0%
151	211	28%	24,511.71	15%
152	2	0%	1,356.07	1%
153	25	4%	11,437.85	7%
Totals	741	100%	160,794.66	100%

VII. OFFICIAL COMMENTS FROM THE NOFFPRF

City Code Ordinance 2-1120 section (8) (b) "Reporting the results of inspector general findings" provided that a person or entity that was the subject of a report "shall have 30 days from the transmittal date of the report to submit a written explanation or rebuttal to the findings before the report is finalized, and such timely submitted written explanation or rebuttal shall be attached to the finalized report or recommendation."

An internal review copy of this report was distributed to the NOFFPRF on January 15, 2014, to provide an opportunity to comment on the report prior to the public release of the final report. The NOFFPRF's comments were due by February 13, 2014 and received on February 10, 2014. The NOFFPRF's comments are included in the body of this report behind each finding and observation, and in its entirety behind this section.

BOARD OF TRUSTEES
- OF THE -
FIRE FIGHTER'S PENSION AND RELIEF FUND
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February 5, 2014

Mr. E. R. Quatrevaux
Inspector General
City of New Orleans
200 St. Charles Ave.
New Orleans, LA 70114

Dear Mr. Quatrevaux:

Board members and staff of the New Orleans Firefighters' Pension and Relief Fund have reviewed your final report of "A Review of the New Orleans Firefighters' Pension and Relief Fund Credit Card and Expense Reimbursement Transactions". Your report was issued to offer recommendations and observations concerning the Fund's policies and procedures regarding credit card purchases and expense reimbursements for the period January 1, 2010 through December 31, 2012. Your review followed our own Expense Committee's review and update of the Board's policy for "Rules and Guidelines for Reimbursement of Reasonable Trustee Expenses". That policy was updated by the Board in a motion passed on August 7, 2013, a date outside the scope of your report. Most of your recommendations were implemented during that update and before this review began.

We offer our responses to your recommendations below. (We understand that no response is required for noted observations and we offer none).

Finding #1: The Board should revise the existing policy to define disallowed expenses and require an itemized receipt and written explanation of expense be submitted for every credit card transaction and request for reimbursement. In addition, the Board should create a separate credit card policy that requires the cardholders to submit the same supporting documentation that is required for expense reimbursements.

We believe that the Board's policy, as adopted on August 7, 2013 appropriately addresses allowable expenses. The Expense Committee review determines the appropriateness of expenses. Itemized receipts or written explanations are now required for all transactions. We believe our expense policy adequately addresses the use of credit cards, making the need for a separate credit card policy unnecessary. However, once the findings of this report are released, we intend to

forward your recommendation for a separate credit card policy to members of the Expense Committee, who will review this recommendation and offer suggestions. Currently, cardholders submit the same supporting documentation that is required for expense reimbursements.

Finding #2: The Board should only permit allowable expenses to be charged on NOFFPRE credit cards.

We agree with this finding. Implementation of this recommendation was effective on August 7, 2013. It should be noted that all nonallowable expenses noted during your review were reimbursed to the Fund with one exception which was due to clerical error.

Finding #3: The Board should discontinue its practice of accepting a credit card customer copy as a "voucher or receipt for each expenditure".

We agree. All expenses should be supported by an itemized receipt or written explanation documenting why the expense was incurred. We believe our current policy adopted on August 7, 2013 adequately addresses the cases of reimbursement of expenses without receipts which have been related primarily to tips and taxi fares.

Finding #4: The Board should enforce its policy requiring written explanations for credit card transactions and reimbursement requests.

The Board agrees with this recommendation. See #3 above.

Finding #5: The Board should enforce its policy to review and approve the required support for all credit card transactions and requests for reimbursement prior to payment of the credit card statements and /or expense reimbursements.

Currently, the Board's policy does not require review and approval by the Board before payment of credit card statements and/or expense reimbursements. The Board policy adopted on August 7, 2013 requires that credit card transactions and expense reimbursements are reviewed by key staff of the Fund for appropriateness and completeness prior to payment. The Expense committee reviews all reimbursements and credit card transactions quarterly. We believe the current policy as adopted is sufficient.

Finding #6: The Board should enforce its policy in a timely manner.

We agree with this recommendation. This recommendation addresses timely reimbursement of unapproved expenses. Credit card charges are reviewed monthly before payment by key staff of the Fund. Reimbursement, if necessary, is requested at that time.

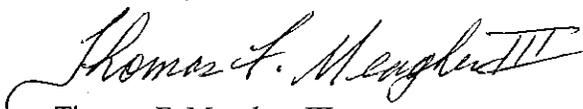
Finding #7: The Board should reduce its number of credit cards. Employees and Board members should not have unlimited access to NOFFPRF credit cards. All cards should be safeguarded and under the control of a designated person.

We agree with the recommendation. The Board policy adopted on August 7, 2013 was revised to limit access to and safeguard Fund credit cards. Credit cards are maintained by designated Fund staff until required for use. Credit cards outstanding have been reduced to 7 at the date of this report.

It was a pleasure to work with your staff during this review. We welcome your input and any opportunity to reduce the opportunity for fraud, waste and abuse.

If you should have any questions or need any additional information, please do not hesitate to contact me.

Yours Truly,

A handwritten signature in cursive script that reads "Thomas F. Meagher, III". The signature is written in dark ink and is positioned above the printed name.

Thomas F. Meagher, III
Secretary/Treasurer