

I. EXECUTIVE SUMMARY

This report is issued to offer timely recommendations and observations that affect the New Orleans Municipal Employees' Retirement System's (NOMERS) Travel Policy (Travel Policy).

The 2008¹ auditor's report by Luther C. Speight & Company, a corporation of Certified Public Accountants and Management Consultants, noted discrepancies in the Board's travel expense reports. Specifically, Finding 08-03 states, "...travel expense reports for certain board members did not appear to include the full cost of business travel and accommodations. Further inquiry indicated that certain travel expense costs were paid by the seminar or event sponsors.² These costs were not documented as in-kind expenses or otherwise on the expense reports."³

As a result of this finding, the Office of Inspector General reviewed the City of New Orleans Employees' Retirement System's "Travel Policy for Board of Trustees"⁴

The review of travel expenses incurred from January 1, 2009 – July 31, 2010 by NOMERS resulted in five (5) findings and recommendations to improve and clarify the NOMERS' Travel Policy. These recommendations are intended to minimize potential fraud and abuse as it relates to expenses incurred by the NOMERS Board of Trustees.

- **Recommendation #1:** The Board should enforce its "Travel Policy for Board of Trustees" requiring a formalized, written travel budget. As indicated in the Investment Policy, the Board should require each trustee to obtain a minimum number of hours of investment-related education each year to obtain the necessary knowledge and expertise to make informed investment decisions for NOMERS. Further, the travel budget should be allocated and used proportionally by each trustee. Any travel funds for a trustee's travel beyond the minimum number of seminars required each year could be transferred to other trustees provided the trustee relinquishing that portion of the travel expense does so in writing.
- **Recommendation #2:** The Board should consider incorporating the City's revised Travel Policy Memorandum 9(R) "Travel and Business Expenses" which provides detailed guidelines on what is permitted and prohibited into its existing Travel Policy.

¹ As of the start of this review, the 2009 audit report had not been issued.

² These seminars were related to emerging issues or investment strategies for pension plans. To attract knowledgeable speakers, the seminar or event sponsors will often pay for the speaker's admission, lodging, airfare, etc.

³ Obtained from the "Employees' Retirement System of the City of New Orleans Financial Statements Together with Independent Auditor's Report for the Year Ended December 31, 2008."

⁴ The Travel Policy was adopted on June 19, 2000 and has not been updated to reflect current and best practices since its adoption.

- **Recommendation #3:** The Board should enforce the Travel Policy requiring reimbursement requests to be approved by the traveling trustee, the Chairman, and the Director of Finance. An alternate trustee should also approve the request when the traveling trustee is the Chairman or the Director of Finance.
- **Recommendation #4:** The Board should revise the Travel Policy to require that the individual seeking reimbursement be a different person from the individual submitting the wire request to the custodian bank.
- **Recommendation #5:** When trustee(s) travel to investment conferences to speak, and the conferences provide complimentary airfare, lodging, etc., each trustee receiving the complimentary item(s) should submit the appropriate documentation to the State Board of Ethics within the specified time frame required by state law.

The OIG concludes that controls over certain aspects of the Travel Policy did not exist or were not operating effectively for the period reviewed.