



Office of the Inspector General

City of New Orleans

A Review of the New Orleans Municipal Employees' Retirement System's (NOMERS) Travel Policy

OIG-A&R-10LOC005

**E.R. Quatrevaux
Inspector General**

Issued April 8, 2011

**A Review of the New Orleans Municipal Employees’ Retirement System’s Travel Policy
OIG-A&R-10LOC005**

I.	Executive Summary.....	2
II.	Background.....	4
III.	Objectives, Scope and Methodology	6
IV.	Findings and Recommendations	8
	Finding # 1: The Board did not establish a formal, written travel budget and did not allocate travel funds in accordance with the Travel Policy for each trustee. Additionally, there was no written evidence that trustees relinquished their allotted travel expenses to other board members who obtained training. The travel expense budget was used disproportionately by one trustee.	
	Finding # 2: NOMERS’ Travel Policy failed to require trustees to submit receipts for <u>all</u> expenses incurred, with the exception of conference registration, airfare, and hotel.	
	Finding # 3: Reimbursement requests were not approved by the traveling trustee, the Chairman, and the Director of Finance as stated in the Travel Policy.	
	Finding # 4: The Board failed to require approval by the appropriate individuals to transfer funds from the Reserve account to the traveling trustee’s bank account.	
	Finding # 5: Trustee(s) did not submit the required reports to the State Board of Ethics when complimentary airfare and lodging were provided to trustees invited to speak or make presentations at a conference or at a training.	
V.	Conclusions	14
VI.	Official Comments from NOMERS	15
VII.	Attachment I	18

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.

II. BACKGROUND

NOMERS was established,⁵ placed under the management of a Board of Trustees and supported by a full-time staff for the purpose of providing retirement allowances and death benefits for all officers and employees of the City of New Orleans (City). NOMERS is a defined benefit plan⁶ (Pension Plan) as described in Section 401(a) of the Internal Revenue Code. The Board of Trustees (See Table 1) manages the Pension Plan and its operations are funded by the Reserve account of the Pension Plan funds.⁷

The Board of Trustees consists of five unpaid members, as follows: (1) The Director of the Department of Finance, ex officio;⁸ (2) The Director of Personnel of the City, ex officio; (3) One person who is domiciled in and an elector of the City elected by the employee members of the Retirement System; (4) One person who is domiciled in and an elector of the City elected by the retiree members of the Retirement System; and (5) One person who is domiciled in and an elector of the City appointed by the Mayor, subject to confirmation by the City Council.⁹ The terms for the elected and appointed members are three years.

Table 1: Current Board of Trustees

Board Member	Position of the Board ¹⁰	Elected/Appointed By	Term Limits
Norman Foster	Director of Finance	Mayor	N/A
Lisa Hudson	Director of Personnel & Vice Chairperson	Civil Service Commission	N/A
Jerome Davis	Chairman of the Board	Employees	3 Yrs
Lynne Schackai	Trustee	Retirees	3 Yrs
Edgar Chase	Trustee	Mayor (Confirmed by Council)	3 Yrs

The Travel Policy provided the trustee(s) limited guidance on what is reasonable as well as necessary documentation required to seek reimbursement from NOMERS. This limited guidance could result in waste and abuse of the City employees' Pension Plan's funds. Additionally, the Travel Policy was silent on disclosures required by the State Board of Ethics regarding complimentary admission, lodging and airfare to trustees.

The Board's expense reimbursement practice required that the traveling trustee obtain two approvals from other trustees for all expenses incurred including training and litigation.

⁵ City Charter Chapter 13 – Department of Finance Section 4-1305.

⁶ A defined benefit plan is a pension plan in which an employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending on investment returns.

⁷ Funds were comprised of employee contributions, employer contributions, and any earnings the plan generates.

⁸ Merriam-Webster's dictionary defines ex officio as "by virtue or because of position"

⁹ City Charter Chapter 13 – Department of Finance Section 4-1305.

¹⁰ Although each board member holds a different title, each board member was referred to as "trustee" in this report.

Once these approvals were obtained, a wire request was prepared by either the Retirement System Manager or Chairman and submitted to the custodian bank for payment.

III. OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this review was to provide recommendations to ensure that all trustees of NOMERS have a clear understanding of their roles and responsibilities regarding obtaining, maintaining, and submitting travel reimbursement requests and their responsibilities for complying with state ethics laws.

This report was prepared in accordance with the *Principles and Standards for Offices of Inspector General (the Green Book)*.

To accomplish the review's objectives, we obtained a listing of all twenty-five (25) travel reimbursement requests submitted and approved from January 1, 2009 – July 31, 2010 and performed the following:

1. Reviewed the State Code of Government (Ethics Code) to verify all travel expenses were incurred in accordance with the Ethics Code, which is the basis for **Finding #5**.
2. Reviewed the NOMERS' "Travel Policy for Board of Trustees" (Travel Policy) to verify that expenses were incurred in accordance with the Travel Policy. The OIG calculated each trustee's respective travel percentage for the period of January 1, 2009 – July 31, 2010, which is the basis for **Finding #1**.
3. Sampled expense reimbursements which occurred from January 1, 2009 through July 31, 2010.
4. Inspected the Reimbursement Request Form from the trustee to the Board to verify proper approval, which is the basis for **Finding #3**.
5. Inspected the Reimbursement Request Form from the Board to the custodian bank to verify proper approval, which is the basis for **Finding #4**.
6. Verified that all expenses were properly supported, which is the basis for **Finding #2**.
7. Reviewed supporting documentation and verified that all expenses were reasonable and related to "acquire and maintain full understanding of prudent investment practices."¹¹
8. Tested completeness of the expense reimbursement listing, by obtaining bank statements for the Reserve account¹² from January 2009 – July 2010, and scanned the bank statements for unusual disbursements. A sample of disbursements was selected and the OIG performed the following:

¹¹ Obtained from the NOMERS' "Travel Policy for Board of Trustees."

¹² The Reserve account was used to pay operating expenses, retirement allowances and NOMERS' staff.

- a. Inspected the supporting documentation and verified that the disbursement was properly supported.
- b. Verified the amounts on the supporting documentation agreed to the respective bank statement.
- c. Reviewed the supporting documentation and verified that the disbursement was properly included as a travel expense on the travel reimbursement request listing or properly excluded from the listing if it was not a travel-related disbursement.

Computer-processed data was provided and relied on, which detailed information on actual expenditures of NOMERS' travel expenses for the period of the review. Although a formal reliability assessment of the computer-processed data was not performed, OIG determined that hard copy documents reviewed were reasonable and generally agreed with the information contained in the computer-processed data. No errors were found that would preclude us from utilizing the computer-processed data to meet the review objectives or that would change the conclusions of this report.

The review included findings and recommendations relating to the NOMERS' Travel Policy. These recommendations are based on the State Code of Government Ethics and the City of New Orleans' policies.

IV. FINDINGS AND RECOMMENDATIONS

The NOMERS' Travel Policy had limited guidance on what expenses required supporting documentation. The Travel Policy had outdated approval procedures and the Board had not formally updated this Travel Policy to reflect best practices since the Travel Policy's adoption in 2000.

The following findings and recommendations were intended to clarify and strengthen the Travel Policy.

Finding #1:

Condition: The Board did not establish a formal, written travel budget, and did not allocate travel funds in accordance with the Travel Policy for each trustee. Additionally, there was no written evidence that trustees relinquished their allotted travel expenses to other board members who obtained training. The travel expense budget was used disproportionately by one trustee.

Criteria: The Travel Policy stated:

“...Trustees as fiduciaries are required...to acquire and maintain *full*¹³ understanding of prudent¹⁴ investment practices, the attendance by trustees at seminars and conferences developed to promote such knowledge shall be encouraged and will be funded as an investment expense of the System, in accordance with a budget adopted by the trustees for that purpose....Each individual trustee, in accordance with law, must determine the nature and amount of education required annually in order to acquire and maintain the level of knowledge required to perform his or her duties....the adopted budget for such purpose will be considered as divided equally amount of (*sic*) the five (5) trustees and two (2) employees, unless and until the Board approves a higher amount. Any trustee wishing to relinquish a portion of his/her allotted expense amount for the use of another trustee must report this agreement, in writing to the Board.”

“Should the adopted budget be exhausted, the Board may approve amendment of the budget, or may declare that reimbursement for travel in the calendar year will no longer be approved.”¹⁵

Cause: The Board did not enforce its Travel Policy.

¹³ Emphasis in the original

¹⁴ La. R.S. 9:2127 relative to the “standard of care in investing and management” stated:

“Unless the trust instrument provides otherwise, a trustee shall invest and manage trust property as a prudent investor. In satisfying this standard, the trustee shall consider the purposes, terms, distribution requirements, and other circumstances of the trust. A trustee’s investment and management decisions are to be evaluated in the context of the trust property as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the trust. In investing within the limitations of the foregoing standard, a trustee is authorized to retain and acquire every kind of property.”

¹⁵ Obtained from the NOMERS' “Travel Policy for Board of Trustees.”

Effect: On review of the expenses incurred and based on discussions with the Chairman, travel expenses were primarily incurred by the Chairman. In 2009 and January 1 – July 31, 2010 the Chairman traveled 15 and 8 times, respectively.

This travel was approximately 66% and 83% of the total travel funds requested for those periods by the entire Board. The Chairman asserted that the other board members were not able to travel multiple times a year.¹⁶

Recommendation: 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 possess 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.

NOMERS’ Comments: *“We agree entirely. The oversight in formal adoption of an annual travel budget will be rectified by formal vote of the Board, and the amount will be re-specified annually. Additionally, individual trustees shall be encouraged to avail themselves of appropriate educational opportunities sufficient to develop and maintain their understanding of the complex investment program adopted for this Trust Fund. Should a trustee, under this goal, need to exceed their individual allocation of funds for education, a formal vote will be taken in order to consider and approve additional funds for that trustee.”*

Finding #2:

Condition: NOMERS’ Travel Policy failed to require trustees to submit receipts for all expenses incurred, with the exception of conference registration, airfare, and hotel. Ten of thirteen expense reimbursements tested were not properly supported. Unsupported reimbursements totaled \$1,353.

Criteria: The Travel Policy stated, “Expenditures for conference registration, airfare and hotel will be supported by receipts.”¹⁷ The City revised its Travel Policy Memorandum 9(R) “Travel and Business Expenses” in October 2010. This Policy is based on the State of Louisiana’s travel policies and outlines best practices for travel reimbursement and specifically outlines acceptable expenses and support required for travel related expense reimbursements.

¹⁶ It should be noted that the other trustees attended local trainings which did not require travel.

¹⁷ Obtained from the NOMERS’ “Travel Policy for Board of Trustees.”

Cause: The Travel Policy was vague and explicitly required submission of receipts for conference registration, airfare, and hotel stays. The Travel Policy was silent on all other supporting documentation.

Effect: Certain expenses sampled were reimbursed without proper support. The legitimacy of these unsupported expenses could not be determined.

Recommendation: 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.

NOMERS' Comments: *"The Board will carefully review the City's revised Travel Policy Memorandum 9(R) relating to "Travel and Business Expenses" and adhere to all appropriate guidelines, consistent with the unique requirements for education and travel in connection with and funded by this private trust fund.*

The Board, in reviewing and approving reimbursement amounts for travel, has always and continues to enforce compliance with its adopted Documentation of Expenses policy. Receipts are specifically required for Conference Registration fees, Airfare and Lodging expenses. Taxifare, and the official City per diem rate, are the only items not requiring a written receipt. As noted in our public discussion, taxi drivers simply do not, in most cities, provide any actual receipt for the fare, providing only blank receipt forms to be filled out by the passenger. In most cities, the cab fare to and from airports is a flat fee, set by local ordinance and easily verifiable; in New Orleans, for example, the fare is \$33 each way, plus tip. Only in the cases where the reimbursement for taxi fares exceeds a reasonable amount consistent with these four rides per travel event, has the Board considered it necessary to require receipts. ALL other expenses have always required receipts. The Report's finding as to 'possible' waste of funds cannot be substantiated; the total amount of reimbursement under this category is less than the flat rate taxi fares for New Orleans for the trips identified in the study."

OIG Response: *An entity is exposing itself to "possible waste of funds" when an expense is reimbursed without proper supporting documentation. A blank taxi receipt would provide some form of evidence that a taxi was hired.*

Finding #3:

Condition: Reimbursement requests were not approved by the traveling trustee, the Chairman, and the Director of Finance as stated in the Travel Policy.

Of the 13 reimbursement requests selected for testing, the Chairman did not approve two of the tested requests, and the Director of Finance did not approve 12 of the tested requests. One expense reimbursement neither contained a reimbursement request nor a wire request.¹⁸

¹⁸ This request only contained a tuition form. The check was cut directly to the vendor, and no approvals were provided.

Criteria: The Travel Policy stated, “Claims for reimbursement must be signed by the trustee involved, the Chairman and the Director of Finance in ex-officio capacity of trustee.”¹⁹

Cause: The Board did not enforce its Travel Policy. Reimbursements were signed by the traveling trustee and two other trustees (other than the Director of Finance).

Effect: Proper approvals were not maintained which weakened the controls over the approval process.

Recommendation: 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.

NOMERS’ Comments: *“Under current law, each trustee has an equal vote in the administration of funds belonging to the Trust. All expenditures from the Trust, including reimbursement of funds required for education and travel, have always and will continue to be authorized by a majority of the Board’s membership. The Travel Policy will be revised to provide a more specific description of current practices.*

Although, as noted previously in our response, the Board did fail to execute a formal amendment of its policy specifying trustees authorized to sign reimbursement forms, the policy change was approved by a board vote, for reasons detailed in our discussions with your staff. The legal requirement for Board approval of all expenditures was in some cases executed by action of the board at its public meetings, as was the case for the matter noted in your Footnote 18.”

OIG Response: *The OIG did not view any minutes which specifically identified the request in question. It should be further noted that NOMERS’ own internal form provides a line for such approval on the form. Other forms tested contained this approval. The Board may have changed the policy, but failed to document it in the Travel Policy.*

Finding #4:

Condition: The Board failed to require approval by the appropriate individuals to transfer funds from the Reserve account to the traveling trustee’s bank account.²⁰

Criteria: The Travel Policy stated, “Reimbursement will be executed by letter signed by the Chairman and the Director of Finance, to the custodian bank, requesting the bank to make payment from the trust account.”²¹

¹⁹ Obtained from the NOMERS’ “Travel Policy for Board of Trustees.”

²⁰ Reimbursements to trustees were paid by wire transfer from the Reserve account to the individual trustee’s bank account.

²¹ Obtained from the “Travel Policy for Board of Trustees.”

Cause: The Board failed to enforce the Travel Policy regarding who was allowed to submit wire requests to the custodian bank. In 2009 and 2010 the Director of Finance failed to submit reimbursements but rather the Retirement System Manager²² or the Chairman submitted reimbursement requests to the custodian bank. The Chairman approved 3 wire requests to the custodian bank for his own travel expenses totaling \$3,212. Traveling trustees should not approve their own wire requests.

Effect: Transfers were initiated by the same person requesting the reimbursement, which weakened the controls over wire transfers from the Reserve account to the individual Trustee's bank account.

Recommendation: 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.

NOMERS' Comments: *"We agree entirely. Although, as noted in our response to Recommendation #3, all expenditures have been fully documented as approved by the Board, with such documentation included in directions to the Custodian Bank which executed the reimbursement, the Board's Retirement System Manager will now execute all directions to the Bank for reimbursement of Trustee expenses."*

Finding #5:

Condition: Trustee(s) did not submit the required reports to the State Board of Ethics when complimentary airfare and lodging were provided to trustees invited to speak or make presentations at a conference or at a training.

Criteria: La. R.S. 42:1123(41)(a) states, "the acceptance by a public servant²³ of complimentary admission to, lodging reasonably related to, and reasonable transportation to and from an educational or professional development seminar or conference held in any state of the United States or Canada, provided that (i) the public servant is requested or invited to attend by the sponsoring civic, nonprofit, educational, or political group or organization, (ii) the sponsor is not a person from whom the public servant is prohibited from receiving or accepting a gift pursuant to R.S. 42:1115(A)(2), (iii) the seminar or conference is related to the public service of the public

²² The Retirement System Manager was not a trustee of NOMERS.

²³ La. R.S. 42:1102(19) defined "public servant" as a "public employee or an elected official." La. R.S. 42:1102(9) defined an "elected official" as "any person holding an office in a government entity which is filled by the vote of the appropriate electorate. It shall also include any person appointed to fill a vacancy in such offices." La. R.S. 42:1102(12) defined a "governmental entity" as "the state or any political subdivision which employs the public employee or employed the former public employee or to which the elected official is elected, as the case may be." La. R.S. 42:1102(18) (a) (iv) defined a "public employee" as "anyone, whether compensated or not, who is under the supervision or authority of an elected official or another employee of the governmental entity."

servant and is designed to enhance the knowledge or skill of the public servant as it relates to the performance of his public service, and (iv) the public servant's agency head approves the acceptance.”

La. R.S. 42:1123(41)(b) provided that “Any public servant who accepts complimentary admission, lodging, or transportation to and from an educational or professional development seminar or conference shall file an affidavit with the Board of Ethics within sixty days after such acceptance, disclosing (i) the name of the person or organization who gave, provided, or paid in whole or in part for the admission, lodging, or transportation, (ii) the person or organization that hosted the seminar or conference, and (iii) the amount expended on his behalf by the person or organization on admission, lodging, and transportation.”

Cause: Based on the sample tested, certain board member(s) may not have complied with state ethics law.

Effect: Certain Trustee(s) did not disclose acceptance of items discussed above. As such, there could be a potential state ethical violation with these Trustees.

Recommendation: 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. See Attachment I.

NOMERS' Comment: *“The Board was not informed by its legal advisor until the Fourth Quarter of 2010 of this legal requirement. Each trustee has now been fully apprised and provided with the necessary forms for compliance, which will be specified in the Board’s revised Travel Policy.”*

“The Board, under the Retirement Code, is entitled to rely on the advice of the City Attorney in matters of administration of the Trust; language therein states that the City Attorney “shall be the legal advisor. This phraseology imposes a proactive duty on the legal advisor to keep the Board apprised of laws and amendments which require compliance actions by the Board. The Board, as noted earlier, was not advised by its legal advisor of this requirement until late in 2010. We have now incorporated the reporting requirement in our travel documentation practices. The Board is committed to efforts to stay informed and observe strict compliance with all applicable laws.”

Note: The OIG will perform a follow-up review to identify the Board’s implementation of these solutions.

V. CONCLUSIONS

The review of the “Travel Policy for the Board of Trustees” resulted in five (5) recommendations to improve and clarify the Board’s travel expense policy. These recommendations are intended to strengthen Travel Policy controls and prevent potential waste and abuse of the City employees’ Pensions Fund as it relates to expenses incurred by the Board Members of NOMERS. These recommendations are also intended to help NOMERS comply with Louisiana state ethics law related to complimentary admission, lodging and airfare.

There were 25 reimbursement requests submitted from January 1, 2009 – July 31, 2010, and 13 were sampled. Eleven or 85% of the reimbursements requested were not properly supported. Thirteen or 100% were not properly approved.²⁴

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

The Board agreed with all five of the findings mentioned in this report and proposed or made changes that will be evaluated in our follow-up report.

²⁴ These reimbursement requests included the approvals by the board for the authorized expenses and the approvals to transfer funds from the Reserve account to the traveling trustee’s bank account.

VI. OFFICIAL COMMENTS FROM NOMERS

City Code Ordinance 2-1120 section (9)(c) “Reporting the results of inspector general findings” provided that a person or entity that was the subject of a report “shall have 30 working days to submit a written explanation or rebuttal of 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 on January 6, 2011 to NOMERS to provide an opportunity to comment on the report prior to the public release of this Final Report. NOMERS’ comments were due and received by the OIG on March 2, 2011; these comments are included in the body of this report and attached in Section VI.

CITY OF NEW ORLEANS
EMPLOYEES' RETIREMENT SYSTEM



MITCHELL J. LANDRIEU
MAYOR

March 1, 2011

BOARD OF TRUSTEES:
Jerome Davis, Chairman
Lisa M. Hudson, Vice Chairperson
Norman S. Foster, Treasurer
Dr. Edgar L. Chase, III, Trustee
Lynne Schackai, Trustee

Jesse Evans, Jr., Manager

The Honorable Edouard R. Quatrevaux
Inspector General
New Orleans Office of Inspector General
525 St. Charles, Suite 300
New Orleans, LA 70130

RE: Employees' Retirement System Response to IG Report #OIG-A&R-10LOC005

Dear Inspector General Quatrevaux:

The Board of Trustees wishes to express its appreciation for the thoroughness and professionalism of your staff in the completion of this review. We also appreciate their willingness to discuss their findings candidly in advance of publication. After carefully considering the final report, we offer the following formal response:

As to Recommendation #1: We agree entirely. The oversight in formal adoption of an annual travel budget will be rectified by formal vote of the Board, and the amount will be re-specified annually. Additionally, individual trustees shall be encouraged to avail themselves of appropriate educational opportunities sufficient to develop and maintain their understanding of the complex investment program adopted for this Trust Fund. Should a trustee, under this goal, need to exceed their individual allocation of funds for education, a formal vote will be taken in order to consider and approve additional funds for that trustee.

As to Recommendation #2: The Board will carefully review the City's revised Travel Policy Memorandum 9(R) relating to "Travel and Business Expenses" and adhere to all appropriate guidelines, consistent with the unique requirements for education and travel in connection with and funded by this private trust fund.

As to Recommendation #3: Under current law, each trustee has an equal vote in the administration of funds belonging to the Trust. All expenditures from the Trust, including reimbursement of funds required for education and travel, have always and will continue to be authorized by a majority of the Board's membership. The Travel Policy will be revised to provide a more specific description of current practices.

As to Recommendation #4: We agree entirely. Although, as noted in our response to Recommendation #3, all expenditures have been fully documented as approved by the Board, with such documentation included in directions to the Custodian Bank which executed the reimbursement, the Board's Retirement System Manager will now execute all directions to the Bank for reimbursement of Trustee expenses.

As to Recommendation #5: The Board was not informed by its legal advisor until the Fourth Quarter of 2010 of this legal requirement. Each trustee has now been fully apprised and provided with the necessary forms for compliance, which will be specified in the Board's revised Travel Policy.

As for the Findings which prompted the above Recommendations, the Board offers the following comments:

As to Finding #2: The Board, in reviewing and approving reimbursement amounts for travel, has always and continues to enforce compliance with its adopted Documentation of Expenses policy. Receipts are specifically required for Conference Registration fees, Airfare and Lodging expenses. Taxifare, and the official City per diem rate, are the only items not requiring a written receipt. As noted in our public discussion, taxi drivers simply do not, in most cities, provide any actual receipt for the fare, providing only blank receipt forms to be filled out by the passenger. In most cities, the cab fare to and from airports is a flat fee, set by local ordinance and easily verifiable; in New Orleans, for example, the fare is \$33 each way, plus tip. Only in cases where the reimbursement for taxi fares exceeds a reasonable amount consistent with these four rides per travel event, has the Board considered it necessary to require receipts. ALL other expenses have always required receipts. The Report's finding as to 'possible' waste of funds cannot be substantiated; the total amount of reimbursement under this category is less than the flat rate taxi fares for New Orleans for the trips identified in the study.

As to Finding #3: Although, as noted previously in our response, the Board did fail to execute a formal amendment of its policy specifying trustees authorized to sign reimbursement forms, the policy change was approved by a board vote, for reasons detailed in our discussions with your staff. The legal requirement for Board approval of all expenditures was in some cases executed by action of the Board at its public meetings, as was the case for the matter noted in your Footnote 18.

As to Finding #5: The Board, under the Retirement Code, is entitled to rely on the advice of the City Attorney in matters of administration of the Trust; language therein states that the City Attorney "shall be the legal advisor". This phraseology imposes a proactive duty on the legal advisor to keep the Board apprised of laws and amendments which require compliance actions by the Board. The Board, as noted earlier, was not advised by its legal advisor of this requirement until late in 2010. We have now incorporated the reporting requirement in our travel documentation practices. The Board is committed to efforts to stay informed and observe strict compliance with all applicable laws.

Again, we thank you and your staff for the thorough, professional and courteous manner in which the study was conducted. We hope that this response and the actions taken pursuant thereto have satisfied the concerns noted in the study.

Very truly yours,



Jerry D. Davis
Chairman, Board of Trustees

xc: Board Members

**COMPLIMENTARY ADMISSION, LODGING AND/OR TRANSPORTATION
DISCLOSURE STATEMENT**

Pursuant to La. R.S. 42:1123(41), any public servant who accepts complimentary admission, lodging, or transportation to and from an educational or professional development seminar or conference shall file an affidavit with the Board of Ethics **WITHIN 60 DAYS AFTER SUCH ACCEPTANCE.**

RECIPIENT'S FULL NAME: _____	
RECIPIENT'S SIGNATURE: _____	
ADDRESS: _____	
CITY, STATE, ZIP: _____	
POSITION TITLE: _____	
EMPLOYING AGENCY: _____	
NAME OF CONFERENCE/SEMINAR: _____	
DATE OF EVENT: _____	
LOCATION: _____	
ADDRESS: _____	
CITY, STATE, ZIP: _____	
PERSON/ORGANIZATION HOSTING CONFERENCE/SEMINAR: _____	
PERSON/ORGANIZATION PROVIDING ADMISSION, LODGING, TRANSPORTATION : _____	
AMOUNT EXPENDED ON RECIPIENT	ADMISSION: \$ _____
	LODGING: \$ _____
	TRANSPORTATION: \$ _____

SWORN TO AND SUBSCRIBED BEFORE ME THIS _____ DAY OF _____, 20__

AT _____, _____.

(Notary Public Signature)

(Printed Name)

(Notary ID or Bar Roll)