



**Office of Inspector General  
City of New Orleans**

**Follow-Up Report: “A Review of the New Orleans Municipal  
Employees’ Retirement System (NOMERS) Travel Policy”**

**AR12FOL003**

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**Issued July 9, 2012**

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Follow up # 1: The Board adopted a formal written travel budget for each trustee to obtain a specified amount of training.

Follow up # 2: The Board revised its Travel Policy and its travel expenses appeared to be properly supported in compliance with the revised policy.

Follow up # 3: Reimbursement requests were properly approved as outlined in the revised Travel Policy.

Follow up # 4: The Board revised its Travel Policy and required the Retirement System Manager to initiate wire requests for all of the Board’s reimbursements. All transfers were properly approved.

Follow up # 5: When applicable, Trustees submitted the appropriate documentation to the State Board of Ethics within the specified time frame required by state law.

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## EXECUTIVE SUMMARY

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In April 2011, the Office of Inspector General issued a report to offer timely recommendations and observations that affected the New Orleans Municipal Employees' Retirement System (NOMERS) "Travel Policy for Board of Trustees" (Travel Policy).

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

The NOMERS Board of Trustees implemented all five of the recommendations identified in the prior year's report.

The follow-up revealed that the Board adopted a formal written travel budget and required each trustee to obtain a minimum of fourteen hours of training per year.

The Board also revised its Travel Policy. All expenses, reimbursement requests, and wire transfers were properly approved as outlined in the revised Travel Policy.

When applicable, Trustees submitted the appropriate documentation to the State Board of Ethics within the specified time frame required by state law.

## I.OBJECTIVES, SCOPE, AND METHODOLOGY

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The purpose of this follow-up was to determine if the recommendations in the April 2011 Report were adopted and if the controls were operating effectively. The procedures performed were related to the five findings and recommendations identified in the Report.

The scope of this follow-up was limited to the five findings, NOMERS' responses to those findings, and recommendations in the Report for the period of October 1, 2011 – March 31, 2012.

The audit methodology was developed in accordance with the *Principles and Standards for Offices of Inspector General* (the Green Book)<sup>1</sup>, and included the following:

- Conducted interviews with personnel to gain an understanding of the current processes and controls in place; and
- Evaluated the NOMERS responses to the Report to determine if the recommendations were adopted and effectively implemented.

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<sup>1</sup> Association of Inspectors General, 2004

## II. FOLLOW-UP REPORT: "A REVIEW OF THE NEW ORLEANS MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM'S (NOMERS) TRAVEL POLICY"

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**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."

**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 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 Response #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."

**Follow-up #1:** The Board adopted a formal written travel budget for each trustee to obtain the required training. The travel budget was allocated equally at \$5,000 per trustee per year. The Board is required to obtain a minimum of fourteen hours of training per year as required by the Investment Policy.

**Finding #2:** "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..."

**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."

**NOMERS Response #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..."

**Follow-up #2:** The Board revised its Travel Policy. All expenses were properly supported as outlined in the revised Travel Policy.

**Finding #3:** “Reimbursement requests were not approved by the traveling trustee, the Chairman, and the Director of Finance as stated in the Travel Policy.”

**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.”

**NOMERS Response #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...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...”

**Follow-up #3:** Reimbursement requests were properly approved as outlined in the revised Travel Policy.<sup>2</sup>

**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.”<sup>3</sup>

**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.”

**NOMERS Response #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.”

**Follow-up #4:** The Board revised its Travel Policy and required the Retirement System Manager to initiate wire requests for all of the Board’s reimbursements. All transfers were properly approved.

**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.”

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<sup>2</sup> The revised policy requires Board approval for travel and the Travel Expense Claim form requires the signatures of three Trustees to receive reimbursement.

<sup>3</sup> Reimbursements to Trustees were paid by wire transfer from the Reserve account to the individual trustee’s bank account.

**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.”

**NOMERS Response #5:** “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.”

**Follow-up #5:** When applicable, Trustees submitted the appropriate documentation to the State Board of Ethics within the specified time frame required by state law.