

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of Certain Expenses
of the Melrose Retirement Board
For the Six Year Period
January 1, 1995 – December 31, 2000**

Table of Contents

Letter from the Executive Director.....1

The Melrose Retirement Board.....2

Selection Criteria.....2

Audit Scope.....2

Travel Regulations.....3

Explanation of Findings and Recommendations.....4

April 3, 2003

The Public Employee Retirement Administration Commission has completed an examination of certain expenses of the Melrose Retirement System pursuant to G.L. c. 32, §21. The examination covered the period from January 1, 1995 to December 31, 2000. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

In our opinion the financial records and management functions with respect to expenses are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners David Pickering, Edward Johnson, and James Ryan who conducted this examination and express appreciation to the Melrose Retirement Board, the current Executive Director and the Board staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Melrose Retirement Board

FOR THE SIX YEAR PERIOD ENDING December 31, 2000

The Melrose Retirement Board

The plan is a contributory defined benefit plan covering all Melrose Retirement System member unit employees deemed eligible by the Retirement Board, with the exception of school department employees who serve in a teaching capacity. The Teacher's Retirement Board administers the pension of such school department employees.

Instituted in 1937, the System is a Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory upon commencement of employment for all permanent, full-time employees.

Selection Criteria:

During a regular audit of the Pittsfield Retirement Board, PERAC Auditors discovered a letter from the Board Chairman to one of the Board's fund managers. The letter contained references to a trip taken by the Chairman, which may have been financed by a third party investment broker. The trip, as it was described to us, was in violation of 840 CMR 17.03 (d).

During a subsequent interview with the Chairman regarding the trip, he explained that it included several other Massachusetts Retirement Board members, whom he went on to name. Boards on which the named members serve were then contacted and a review of certain Board expenditures was conducted for the six-year period January 1, 1995 through December 31, 2000. The Pittsfield Audit was referred to the Attorney General's Office on April 20, 2001.

Audit Scope

The scope of our audit was to review and analyze the internal controls over certain expenses and to review the Board's internal policies and management functions related to this matter. We reviewed expenses for the period of January 1, 1995 to December 31, 2000 inclusive.

Melrose Retirement Board

FOR THE SIX YEAR PERIOD ENDING December 31, 2000

Travel Regulations:

On March 7, 2002 PERAC issued Memorandum #15/2002, "Guidelines for Retirement Board Travel Supplemental Regulations" and directed Boards to adopt supplemental regulations consistent with the guidelines. On May 13, 2002 the Melrose Retirement Board submitted Education and Travel Policy Supplemental Regulations for review and approval. On July 17, 2002 the Board was advised that its proposed regulations were inconsistent with the guidelines in several respects. As of this date, nothing further has been submitted.

Melrose Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

Travel expenses:

PERAC auditors reviewed all available travel and expense records. Listed below are twelve (12) instances where proper back up was not provided to substantiate the expense reimbursement requested. In addition, there were four (4) instances included where a spouse or “other” person attended a conference with a Board member and no reimbursement was made to the Board for those individual’s expenditures on the trip.

- September 29, 1995; there was no back up for hotel bills in the amount of \$415.00 for one member to attend a MACRS Conference.
- May 29, 1996; hotel bills totaling \$1,019.68 were paid for three members to attend a MACRS Conference. There was no back up for the expense.
- May 28, 1997; a check for \$842.38 was paid to the City of Melrose for reimbursement for two (2) nights pay of a firefighter so that one Board member, who is a firefighter, could attend a MACRS Conference. There was no back up for the expense.
- September 24, 1997; \$270.00 was paid for the meal expenses of two Board members who attended a MACRS Conference. There was no back up for the expense.
- October 2, 1998; \$284.74 was paid for the hotel expenses of one Board member who attended a MACRS Conference. There was no back up for the expense.
- April 20, 2000; \$350.00 was paid to a Board member for reimbursement for meals expenses at a NCPERS Conference in Hawaii. There was no back up for the expenses.
- May 1, 2000; \$1,638.40 was paid to a Board for reimbursement for hotel expenses for a NCPERS Conference in Hawaii. There was no back up for the expenses.
- December 27, 2000; \$395.00 was paid for Board members to attend a TECS meeting in Key West, Florida. There was no back up for the expense.
- March 2, 1998; \$824.00 was paid for the air fare of a Board member and a spouse or “other” person; the Board was not reimbursed for the expense

Melrose Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS **(Continued)**

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

of the additional person who traveled at Board expense to Denver, Colorado.

- April 29, 1998; \$1,102.68 was paid for the hotel expense of a Board member and a spouse or “other” person. The Board was not reimbursed for the expenses of the additional person who traveled at Board expense on a trip to the NCPERS Conference in Denver, Colorado.
- April 29, 1998; \$69.55 was paid to a Board member for a rental car leased in the name of a spouse or “other” person who accompanied the Board member on a trip to the NCPERS Conference in Denver, Colorado. The Board member did not reimburse the Board for the expense incurred by the “other” person.
- May 11, 2000; \$233.96 was paid to a Board member for hotel expense of the member and a spouse or “other” person who accompanied the Board member at the Outrigger Reef Hotel in Hawaii for the NCPERS Conference. The Board was not reimbursed for the expenses of the additional person who traveled at Board expense.

A review of the minutes of the Board meetings revealed that the Board did not vote and approve of travel expenses incurred by Board members, but merely made note of upcoming conferences and trips. The Board did, however, discuss and approve all travel requests by salaried staff members of the system.

Recommendation:

PERAC regulation 840 CMR 25.15(3) requires that all administrative expenses be approved and authorized by the retirement Board and that the approval be reflected in the minutes of the board meeting. In addition, regulation 840 CMR 25.15(4) requires that there must be proper receipts on file with the board for all expenses incurred. The Melrose Retirement Board should discontinue paying for the expenses of spouses and other persons and direct Board Members to reimburse the Board for those expenses noted above.

Melrose Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS **(Continued)**

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

The Melrose Retirement Board should continue to review its Education and Travel Policy Supplemental Regulations and move to adopt supplemental regulations consistent with the guidelines issued by PERAC.

Board Response:

Enclosed you will find copies of receipts that address most of the findings you have cited in your report to our Chairman, Mr. John P. O'Neil. You will notice documentation for firefighter coverage to attend conference, minutes from 5/27/98 meeting stating our meal allowance relating to meal expenses, receipts for hotel and other expenses for conferences, airfare expense for companion with a copy of the ledger page showing reimbursement for half the airfare.

The car rental fee of \$69.55 was rented on Mr. O'Neil's behalf due to the fact that he did not have his driver's license on him at the time and Mr. O'Neil said he would gladly reimburse the system at your recommendation.

After reviewing all the minutes most conferences were voted on and it is the practice of the board to vote on all conferences to allow any member or office staff to attend. It will be recommended at the next board meeting that a vote be taken for every conference and that receipts are to be submitted after the conference.