

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

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April 3, 2003

The Public Employee Retirement Administration Commission has completed an examination of certain expenses of the Woburn 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 Woburn Retirement Board, the current Executive Director and the Board staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Woburn Retirement Board

FOR THE SIX YEAR PERIOD ENDING December 31, 2000

The Woburn Retirement Board

The plan is a contributory defined benefit plan covering all Woburn 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.

Woburn Retirement Board

FOR THE SIX YEAR PERIOD ENDING December 31, 2000 (Continued)

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 April 25, 2002 the Woburn 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.

Woburn Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

Travel:

Woburn Retirement Board members and staff attended fourteen conferences over the six-year period ending December 31, 2000.

Twelve conferences were sponsored by MACRS and held overnight in Massachusetts. Two additional conferences were sponsored by NCPERS and were held in San Diego, CA, and Honolulu, Hawaii.

- A total of \$38,742 for lodging and meal expenses were paid for by the Board over the six-year period. \$14,739 (38%) of this total was lodging and meal costs for the spouses of Board and staff members.
- Air fare for the NCPERS conference in San Diego was \$1,153 of which \$361 was for a Board member's spouse.
- An average of five spouses attended each event. One staff member's spouse attended ten events that were paid for by the Board.
- A review of the minutes of the Board meetings revealed that the Board did not vote and approve of planned travel to be incurred by board members, staff, spouses, and guests.
- Final hotel bill folios were not available to substantiate the actual meal, hotel, incidental costs and attendees in fourteen instances.
- No expense documentation or payment information existed for a conference in Honolulu, Hawaii, in April 2000, to be attended by one staff member, although a \$350.00 registration fee was paid to the Hilton Hawaiian Village. It could not be determined whether this individual attended the conference.

Woburn Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

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. It is recommended that the Woburn Retirement Board immediately discontinue paying for the cost of Board or staff member spouses and guests to attend Board travel events. Furthermore, Board members should reimburse the System for those expenses related to events attended by family and friends.

The Woburn 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:

An extensive review of this audit report has been conducted by the Woburn Retirement Board. As to the Findings and Recommendations page 4, we would address each of the highlighted items as follows:

1. The average annual expenditure of \$6,457.00 attributed to cost of travel over the six-year period for the Woburn Retirement Board is well within the amount budgeted by the Board for that purpose.
2. This \$361.00 amount which was paid on Warrant 3, 3/28/96, Voucher #44, was refunded to the Board three weeks later by personal check of the Board Member. This was the cost of his spouse's airfare. A review of cashbook/debit page 4 for April 1996 and ledger account #5719 reflects this reimbursement. This information was provided at the time of the audit and via facsimile

Woburn Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

(Continued)

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

after the audit was completed. The Woburn Retirement Board does not reimburse or pay for spousal airfare.

3. Prior to the revision of the Woburn Retirement Board's written Education/Travel Guidelines in April 2002 (originally adopted by the Board on 9/28/98), it had been the past practice of the Board to pay for spouses who accompanied attendees to in-state conferences.
4. A review of the minutes for 1995 to 2000 will show the Board voted to approve payments (in advance of attendance) for all conferences attended.
5. All costs for attendance at conferences were paid in advance, directly to the hotels in question, with Woburn Retirement System checks. Any incidental costs were paid by the attendees personally at the time of their checkout. No reimbursements were made based on hotel folios. Actual meal and hotel costs were always prepaid and preset by either MACRS or NCPERS and paid in advance, documented by accompanying pre-registration forms on file with the Board.
6. The April 2000 NCPERS Annual Meeting was attended by the Board's Retirement Administrator and preapproved by the Board, as reflected in the minutes of the February 28, 2000 Board Meeting. A \$350.00 payment for preregistration was paid to NCPERS (not the Hilton Hawaiian Village) as approved by the Board at its March 27, 2000 Board Meeting and documented by the NCPERS participant registration form attached to the voucher, March 2000 Warrant #3, voucher #40, check #1219 and the minutes of the 3/27/00 meeting. No check for \$350.00 was made payable to the Hilton Hawaiian Village at any time. Expense

Woburn Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

(Continued)

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

documentation/payment information made for the Administrator in May 2000 is reflected on Warrant #5-4, voucher #85, check #1266, with hotel folio, airline itinerary/ticket and two taxi fare receipts; as approved by the Board at its May 23, 2000 Board Meeting. In keeping with its policy, no payments were made by the Woburn Retirement Board for any spouse or family member.

In closing, we would add that on August 8, 2002, we were advised by our legal counsel, that despite sincere efforts, that most, if not all retirement boards had their submitted travel policies rejected by PERAC, as not being in verbatim compliance with PERAC MEMO #15/2002. Accordingly, we were advised in writing by counsel to decide whether it was prudent to expend further effort and expense in attempting to comply by amending and resubmitting since PERAC's initiation of formal travel regulations via the formal CMR process was imminent. Hence, the Board decided to follow counsel's advice to continue to adhere to its adopted travel policies, and strive to comply with the spirit of PERAC's memorandum, especially in the area of documentation and any third party payment.