

CITY OF MELROSE, MASSACHUSETTS

REPORT ON AGREED UPON PROCEDURES

MELROSE RETIREMENT BOARD

YEARS ENDED DECEMBER 31, 2004-2008

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YEARS ENDED DECEMBER 31, 2004-2008

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At your request, we have applied the agreed-upon procedures enumerated below with respect to the City of Melrose, Massachusetts' Retirement Board (Board) Travel Expenditures for the period January 1, 2004 through December 31, 2008. It is understood that this report is solely for your information and is not to be referred to for any other purpose or distributed to anyone who is not associated with the City of Melrose, Massachusetts.

Our procedures were performed to:

1. Gain an understanding of the purpose of the Board's Education and Travel Expenditure Account.
2. To review and analyze the internal controls over the education and travel expenses and to review the Board's internal policies and management functions related to the expenses.
3. Verify that expenditures are processed in accordance with the Education and Travel Policy Supplemental Regulations and are supported by adequate documentation.

Our responsibility is to express to you our findings based on the following procedures:

1. We reviewed the Public Employee Retirement Administration Commission (PERAC) regulations applicable to the travel account; and the City of Melrose drafted Education and Travel Policy Supplemental Regulations. We documented the Travel and Educational accounts purpose, required documentation for reimbursement, travel arrangement criteria, authorized means of transportation, and expenditures allowed.
2. We obtained a general ledger activity report for the period January 1, 2004 to December 31, 2008 (Pension Technology Group) for the Travel account maintained by the City.
3. We reviewed 100% of expenditures charged to the account and reviewed vouchers, invoices and other documentation supporting the expenditure.
4. We reviewed the Melrose Retirement Board minutes to verify the Board voted and approved travel expense in advance and a statement for the Board was present in the minutes describing the presentation, conference or seminar.

Because the foregoing procedures do not constitute an audit made in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on any of the activities or procedures referred to above. Had we performed additional procedures or had we made an audit of the activities and procedures in accordance with auditing standards generally accepted in the United States of America, additional matters might have come to our attention that would have been reported to you. This report relates solely to the activities and procedures specified above, and do not extend to any financial statements for the City of Melrose, Massachusetts, taken as a whole.

July 24, 2009

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We have performed the agreed upon procedures, as discussed on the previous page, to the Retirement System's education and travel expenditure account of the City of Melrose, Massachusetts. Our documentation and findings are discussed herein.

INTRODUCTION

This report is divided into the following sections:

1. Overview of the City's Travel Expenditure Account.
2. Testing of expenditures
3. Comments, Findings and Areas For Improvement

OVERVIEW OF EDUCATION AND TRAVEL EXPENDITURES

The Melrose Retirement Board 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 the school department employees who serve in the teaching capacity. The Teachers Retirement Board administers the pension of such school department employees.

The Melrose Retirement System was 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.

The Melrose Retirement Board adopted the Education and Travel Policy Supplemental Regulations to be effective May 1, 2002. The supplement is pursuant to the Public Employee Retirement Administration Commission (PERAC) Memo #15/2002 requiring Retirement Boards of the Commonwealth of Massachusetts to submit supplemental regulations which adopt PERAC's mandated education and travel guidelines. As of July 23, 2009, PERAC has not approved the Melrose Retirement Board supplemental regulations.

The purpose of the Education and Travel Policy Supplemental Regulations is to maintain the Melrose Retirement Board's fiduciary obligations to the members and beneficiaries of the Melrose Retirement System and to continue the protection and preservation of the assets of the System.

The Public Employee Retirement Administration Commission recognizes that continuing education and training of the Board Members and Staff are essential to maintaining the fiduciary obligation.

The education and travel account was maintained to account for educational expenditures and travel related expenditures. Examples of such expenditures include: conference expenses, transportation, hotel and meals.

The Retirement Office prepares a voucher that lists the person to whom the expense is payable, a description of the expense and the amount. Supporting documentation is attached to the voucher for the review of the Retirement Board and City Treasurer. The Retirement Board approves the expenditures listed then signs and dates the voucher. The voucher is given to the Treasurer who is responsible for administering the payment to the vendor's or reimbursement to the employees. The voucher is returned to the Retirement Office where it is posted into the retirement system.

TESTING OF EXPENDITURES

For the years ended December 31, 2004-2008, the City recorded education and travel expenditures totaling \$48,710.24. The composition of these funds is as follows:

	<u>Number of Expenditures</u>	<u>Amount of Expenditures</u>
2004	36	\$16,002.61
2005	36	16,645.25
2006	8	4,543.72
2007	8	5,703.37
2008	<u>12</u>	<u>5,815.29</u>
	<u>100</u>	<u>\$48,710.24</u>

COMMENTS, FINDINGS AND AREAS FOR IMPROVEMENT

Approval of Education and Travel Expense in the Minutes –The System’s policy states that educational opportunities that require travel and related expenses are to be specifically identified and approved in advance by the Board. The minutes state the approval to attend the conferences, but no mention of allowable cost is communicated in the minutes.

Travel Authorization Form – The System’s policy states a travel authorization form must be submitted outlining the nature and purpose of the educational opportunities, conferences, seminars and other events, required travel, and estimated costs. The travel authorization form must certify that the listed expenses were incidental to the approved educational opportunity and travel. For the years ended December 31, 2004-2008, the board members and staff have not submitted travel authorization forms for approval. The travel expense is incurred prior to the board’s knowledge of the related cost.

Discussion of Conference in Board Minutes – The System’s policy states a discussion of the benefit of a presentation, conference, seminar or other event should take place at the next Board meeting, a statement describing the presentation, conference or seminar is required in the Board minutes. Upon reviewing the minutes for the years ending December 31, 2004-2008, no reference was made for seventeen out of the nineteen conferences attended.

Insufficient Documentation to Support Expenditures - There were three instances where no back up was provided to substantiate the expense reimbursement requested. On March 30, 2005, there was no back up for a conference expense in the amount of \$50.00. On March 20, 2006, there were two conference expense postings to the general ledger in the amount of \$395.00 in which there was no back up for the expense.

There were two instances where insufficient back up was provided to substantiate the expense reimbursement requested. On February 25, 2004 a credit card statement was submitted as receipt for reimbursement of airline tickets. The statement gave no support to the destination or travel period being reimbursed. On April 26, 2004 a generic hand written receipt was submitted for reimbursement of a conference expense. The hotel expense reimbursed for this conference was located in Bedford, MA. The hotel is located approximately fifteen miles from Melrose City Hall, no documentation was provided to substantiate the reason for the hotel expense.

There were seventeen expenditures posted to the general ledger for vendor payment of hotel and conferences expenses where substantial documentation was not provided. The Board member's or staff provided the System with conference brochures or a reservation form from the hotel or conference venue. The System received no documentation verifying the Board member or staff attended or checked in to the facility.

Two instances were noted where hotel and per diem meal expense were reimbursed for a TEC conference on August 23-26, 2004 and a MACRS Conference on October 3-6, 2004 where no conference expense was posted to the account. The expenditures related to the TEC Conference and MACRS Conference totaled \$641.75 and \$450.00, respectively. There were no statements in the Board minutes to support the expenditures.

Errors in the Calculation of Reimbursement - Three instances were noted where the receipts submitted for reimbursement did not agree with the amount reimbursed. A reimbursement for actual meals expense posted on June 1, 2004 for \$287.15 was recalculated to \$285.65, a variance of \$1.50. A reimbursement for the hotel expense for a NCPERS Conference posted on June 28, 2006 for \$1,200.79 was recalculated to \$1,159.95, a variance of \$40.84. A reimbursement for mileage and other expenses for a MACRS Conference posted on June 26, 2007 for \$478.92 were recalculated to \$507.56, a variance of \$28.64. The additional expense to the System for errors in the calculation of reimbursement was \$13.70.

Request for Reimbursement Form – The System's policy states that Reimbursement Request forms should be completed and properly approved after incurring any travel or travel related expenses and before reimbursement takes place. The policy also states that the form must be signed under the pains and penalties of perjury. Of the sixty-four reimbursements tested, forty-nine instances were noted where the Reimbursement Request forms were not submitted.

Per Diem Reimbursement for Meals – The Retirement System was not consistent in regards to the reimbursement of meals during travel. Six reimbursements were paid for the actual cost of meals. Twenty four were reimbursed using a per diem amount. One instance was noted where the actual cost exceeded the per diem amount.

The maximum daily reimbursable amount for the cost of meals while on Board authorized travel is stated in the Education and Travel Supplemental Regulation's is \$50.00 per day. The Board members and staff have received a per diem amount of \$25.00 per meal or \$75.00 per day. The System incurred an additional expense of \$1,155.00 by reimbursing the \$75.00 rather than \$50.00.

Meal Expenses of Other Parties - The System 's policy states if reimbursement is sought for the meal expenses of other parties the business purpose of the meeting, the said parties and their affiliation shall be identified. On June 1, 2004 a reimbursements of \$287.15 for the actual meal expense was made. The receipts submitted are for two individuals. No back up was provided to substantiate the expense for the other party.

Posting of Education and Travel Expenditures to Wrong Accounts- Upon review of the Systems general ledger it was noted that two education and travel expenditures were posted to improper accounts. Reimbursements for a MACRS Conference and related expense of \$425.75 posted June 28, 2006 and Registration Expense for a NCPERS Conference of \$595.00 posted March 2, 2006 were erroneously posted to Administrative Expense and Reimbursement to Other Systems accounts, respectively.

Vouchers not Signed – The System submits a voucher to the City Treasurer listing all the expenditures for the period in which the Treasurer is authorized to pay. The Voucher is signed and dated prior to the Treasurer's receipt. Voucher number twenty-nine and forty-nine in the year 2004 were not signed or dated.