



Office of the City Auditor

**Report to the City Council
City of San José**

**AN AUDIT OF RETIREMENT
SERVICES TRAVEL EXPENSES**

**Tighter Policies Could Have Resulted In
More Economical Travel**

**Some Travelers Received More In Travel
Reimbursements Than They Were Entitled
To Receive**

**Improvements Are Needed To Address
Ethics, Transparency, And Perceived
Conflicts Of Interest**

**Report 08-02
August 2008**

August 27, 2008

Honorable Mayor and Members
of the City Council
200 East Santa Clara Street
San Jose, CA 95113

Honorable Chair and Members of the
Boards of Administration of the Federated
City Employees' Retirement System and the
Police and Fire Department Retirement Plan
1737 North First Street, Suite 580
San Jose, CA 95112

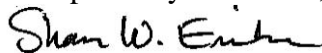
Transmitted herewith is the report *An Audit of Retirement Services' Travel Expenses*. This report is in accordance with City Charter Section 805. An Executive Summary is presented on the blue pages in the front of this report. Responses to the audit are shown on the yellow pages before the appendices. The City Clerk has indicated her agreement with Recommendations #19 and #20, and upon adoption by the City Council will proceed with their implementation.

I will present this report at the following meetings:

- September 4, 2008 meeting of the Police and Fire Retirement Board,
- September 11, 2008 meeting of the Federated Retirement Board, and
- September 18, 2008 meeting of the Public Safety, Finance and Strategic Support Committee

If you need any additional information, please let me know. The City Auditor's Office staff members who participated in the preparation of this report are Steve Hendrickson, Jorge Oseguera, and Michael Houston.

Respectfully submitted,



Sharon W. Erickson
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Executive Summary

In accordance with the City Auditor's 2007-08 Audit Workplan, we have completed *An Audit of Retirement Services Travel Expenses*. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the Audit Objective, Scope, and Methodology section of this report.

Finding I Tighter Policies Could Have Resulted In More Economical Travel

Government entities are held to a high standard in ensuring that public funds are used efficiently and effectively, and that the uses of such funds are transparent to the public. Toward this objective, Board-related travel expenses should be reasonable and in line with what a prudent person would incur when conducting official business. However, our review of the travel expenses between July 2005 and February 2008 revealed numerous instances in which Boardmembers and Retirement Services Department staff (Boardmembers and Staff) sought and received reimbursement for travel expenses that we considered uneconomical.

Specifically, we found:

- Boardmembers and Staff sought and received reimbursement for costly airfare, lodging, and food expenses even when less costly alternatives were available;
- Boardmembers and Staff did not take advantage of opportunities to reduce costs;
- The Boards' travel policies are insufficient; and
- Boardmembers and Staff increased travel expenses by making "last-minute" travel arrangements.

As a result, higher than necessary expenses were allowed and reimbursed to Boardmembers and Staff at the expense of the retirement pension plans.

In comparison to the travel policies of the City of San José and other government entities, the travel policies of the Federated City Employees' Retirement System (Federated) and the Police and Fire Department Retirement Plan (Police and Fire) are too general and fail to address or establish the necessary controls to ensure

prudent and reasonable travel. In order to reduce the likelihood of future imprudent travel expenses, the Boards should adopt the City of San José Employee Travel Policy, encourage the most economical and practical travel accommodations, and better promote a culture of fiscal prudence.

RECOMMENDATIONS

We recommend the Boards:

Recommendation #1 **Promote a culture of fiscal prudence and encourage the most economical and practical travel accommodations. (Priority 3)**

We recommend the Retirement Services Department Director and the Finance Department:

Recommendation #2 **Require travelers to provide written justification when exceeding the estimated travel costs noted on the Travel Request Form. (Priority 2)**

We recommend the Boards:

Recommendation #3 **Actively seek conference rates, government rates, and other general travel discounts. (Priority 3)**

We recommend the Retirement Services Department:

Recommendation #4 **Use a competitive process to identify an appropriate travel agency. (Priority 2)**

We recommend the Boards:

Recommendation #5 **Adopt the City of San José Employee Travel Policy as their own. (Priority 2)**

Recommendation #6 **Establish reasonable parameters for travel and training. (Priority 3)**

Recommendation #7 **Require mandatory training on travel policies for Boardmembers and Staff. (Priority 3)**

We recommend the Finance Department:

Recommendation #8 **Incorporate language into the City of San José Employee Travel Policy that requires written justification for last-minute travel arrangements. (Priority 3)**

Finding II Some Travelers Received More In Travel Reimbursements Than They Were Entitled To Receive

Travel policies guide prospective travelers in their travel activities, and define reasonable and necessary travel expenses. The Board of Administration for the Federated City Employees Retirement System (Federated), the Board of Administration for the Police and Fire Department Retirement Plan (Police and Fire), and the City of San José have each adopted their own travel policies. All three policies intend to define reasonable and necessary travel expenses, and prohibit certain expenses deemed unreasonable and unnecessary. Despite the travel policies' prohibitions, we found that on several occasions, traveling Boardmembers and Retirement Services Department staff (Boardmembers and Staff) received travel reimbursements for expenses that were clearly not allowed by their respective travel policies. Specifically, we found:

- Some Boardmembers and Staff were reimbursed for ineligible expenses such as: 1) extended stays and other personal expenses, 2) expenses unsupported by receipts, 3) excessive meals and inappropriate per diems; and
- Some Boardmembers were reimbursed for expenses they did not incur.

In our opinion, ineligible expenses were reimbursed due to insufficient review of travel activities and documents, and errors in completing travel forms. When we notified Boardmembers and Staff about the ineligible reimbursements, all individuals we notified submitted payments for the purpose of correcting ineligible reimbursements they had received. Since discovering the ineligible reimbursements, we have been working collaboratively with Boardmembers and Staff to identify and prevent future ineligible expenses from being requested and approved.

RECOMMENDATIONS

We recommend the Retirement Services Department:

Recommendation #9 **Completely document its travel activity and improve the organization of its travel files. (Priority 2)**

We recommend the Finance Department:

Recommendation #10 **Revise the City of San José Employee Travel Policy to require travelers to include event brochures and itineraries with their Travel Request Forms and Statements of Travel Expenses to help approving officials verify that expenses are related to approved travel activities. (Priority 3)**

Recommendation #11 **Provide training for RSD and City employees who process travel documents. (Priority 3)**

We recommend the Retirement Services Department and the Finance Department:

Recommendation #12 **Require actual receipts, proof of payment, or in unique circumstances, written explanations for missing receipts or proof of payment. (Priority 1)**

We recommend the Finance Department:

Recommendation #13 **Revise the City of San José Employee Travel Policy to require travelers to clearly disclose, itemize, and account for group expenses. (Priority 3)**

We recommend the Retirement Services Department and the Boards:

Recommendation #14 **Require Boardmembers and Staff to complete and sign their own Travel Request Forms and Statements of Travel Expenses. (Priority 2)**

We recommend the Finance Department:

Recommendation #15 **Add language to the Travel Request Form that requests signatories to verify that all expenses will be incurred for the purpose of City business. (Priority 1)**

Finding III Improvements Are Needed To Address Ethics, Transparency, And Perceived Conflicts Of Interest

While traveling on official business, Boardmembers are subject to local and State regulations that are intended to ensure ethical and transparent behavior. These regulations limit and define the gifts that City employees and decision-makers can receive, and provide guidelines for acceptance and reporting of gifts. These regulations also limit instances in which Boardmembers can gather outside of regularly scheduled meetings – a potential issue when traveling in groups. During our review, we noticed examples of travel activities that could be perceived as out of compliance with the City’s gift ordinance and State law. Absent controls to ensure compliance, Boardmembers may be at greater risk of running afoul of critical legal provisions and creating the perception of impropriety.

We recommend the Boards:

Recommendation #16 **Establish controls to ensure compliance with the San José Municipal Code Chapter 12.08 Prohibition of Gifts. (Priority 2)**

We recommend the Police and Fire Boards:

Recommendation #17 **Consult with the Boards’ legal counsel to determine how to handle the conference registration expense of \$595. (Priority 2)**

We recommend the Boardmembers and Staff:

Recommendation #18 **Complete and submit outstanding Statements of Economic Interest, and consider the need to amend previously submitted Statements of Economic Interest. (Priority 1)**

We recommend the City Clerk:

Recommendation #19 **Consult with the FPPC to determine whether Boardmembers, the RSD Director, the Chief Investment Officer, and other RSD investment staff should be treated as covered by Government Code Section 87200. (Priority 2)**

Recommendation #20 **Follow-up on outstanding Statements of Economic Interests and report filing violations to the oversight entity and the appropriate enforcement agency as required by the PRA. (Priority 2)**

We recommend the Boards:

- Recommendation #21** **Develop and enforce travel report guidelines for all board-funded travel activities per AB 1234. (Priority 2)**
- Recommendation #22** **Develop and publicly post periodic travel expense summaries. (Priority 3)**
- Recommendation #23** **Adopt supplemental policies to limit the number of Boardmembers traveling together and post events as required by the Brown Act. (Priority 3)**

Introduction

In accordance with the City Auditor's 2007-08 Audit Workplan, we have completed *An Audit of Retirement Services Travel Expenses*. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the Audit Objective, Scope, and Methodology section of this report.

The City Auditor's Office thanks the Retirement Services Department (RSD), the Boardmembers of the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan, staff of the City Clerk's Office, and staff of the Finance Department who gave their time, information, insight, and cooperation during the audit process.

Background

The City's Pension Plans

City of San José employees are served by two pension plans – the Federated City Employees' Retirement System (Federated) and the Police and Fire Department Retirement Plan (Police and Fire).

Both pension plans use investment income and employer and employee contributions to provide eligible retirees with defined-benefit pensions based on their years of service and highest compensation. The plans also provide eligible retirees with medical benefits, and “...*survivor benefits and permanent disability benefits to qualified members and their beneficiaries.*”

While they serve the same function, the two pension plans differ from each other in some key ways including their retirement eligibility requirements; employee and employer contribution rates; eligibility for benefits for retirees' spouses, dependents, and beneficiaries; and compensation formulas.

At the close of fiscal year 2006-07, the fair value of Federated's investments exceeded \$1.86 billion. The fair value of Police and Fire's investments exceeded \$2.7 billion.

According to its 2006-07 Comprehensive Annual Financial Report (CAFR), the time-weighted rates of return for Federated's assets during fiscal year 2006-07 was 16.22 percent versus the Benchmark return of 15.69 percent, which placed Federated's total return in the second quartile of the Trust Universe Comparison Service Public Fund (TUCS®) and in the third quartile of the TUCS Master Trust Universe. Over long term periods, the portfolio has earned total annualized returns of 11.74 percent over the past three years and 11.78 percent over the past five years, and ranked in the 51st and the 26th percentiles, respectively, of the TUCS Public Fund Universe. During fiscal year 2006-07, Police and Fire earned a time-weighted rate of return of 19.3 percent on investments, compared to 18.8 percent for its benchmark and 17.6 percent for the Trust Universe Comparison Service Public Fund Median.¹

The Boards Of Administration

Per the San José Municipal Code, the two pension plans are managed, administered, and controlled by their respective Boards of Administration. The Boards' specific duties include:

- Considering requests for retirement;
- Holding exclusive control of the administration and investment of the retirement funds;
- Determining employees' eligibility for membership in the pension plans; and
- Determining employees' eligibility for retirement benefits.

The Boards hold sole fiduciary responsibility for the security of members' pension resources. In fulfilling their fiduciary responsibilities, the Boards enlist outside consultants for an array of professional services. The Boards possess broad and flexible investment authority. They also possess the authority to make and enforce reasonable rules and regulations for the administration, management, and control of the pension plans. The following exhibitions detail the Boards' composition.

¹ According to the current RSD Director, *"Different consultants lead to different asset allocations based on their return/risk assumptions. The index returns for each of those allocations roll up to a unique trust fund benchmark. Not unusual in the trust fund world, where even within families of funds, different boards lead to very different results."*

Exhibit 1: Membership Of The Two Boards Of Administration

Federated City Employees' Retirement System	Police And Fire Department Retirement Plan
2 City of San José Councilmembers	2 City of San José Councilmembers
2 City Employees	1 Fire Department Employee
	1 Police Department Employee
1 Plan Retiree	1 Plan Retiree
1 Public Member	1 Employee of the City of San José Administration
1 Civil Service Commissioner	1 Civil Service Commissioner

Source: Generated using the San José Municipal Code.

Exhibit 2: Board Committees

Federated City Employees' Retirement System	Police And Fire Department Retirement Plan
Joint Committee	
Solutions to Retiree Health Care Committee	
Committee	Committee
Investment Committee	Investment Committee
Real Estate Committee	Real Estate Committee
Investment Committee of the Whole	Investment Committee of the Whole
	Audit Committee

Source: Generated from information provided by RSD Staff.

The Retirement Services Department

RSD's core service is to "Administer Retirement Plans" by implementing "*policies and procedures to deliver retirement benefits and maintain the retirement plans.*" In delivering this core service, RSD performs the following key functions:

Supervises the Investment of Plan Assets. RSD's investment staff work with and monitor external investment managers and ensure that they are complying with the Boards' investment policies and guidelines.

Provides Retirement Planning and Counseling. RSD advises current and former City employees and their beneficiaries on their retirement benefits. RSD provides these services through in-person consultations as well as through seminars, courses, and other group educational events.

Administers Retirement Benefits. RSD provides pension payments to retirees, and enrolls retirees in their health and dental plans. RSD staff are also responsible for tracking revenue and expenses for the retirement plans.

Analyzes, Develops, and Recommends Retirement Policy. RSD staff analyze, develop, and recommend retirement policy for the Boards' consideration.

The City of San José 2007-08 Adopted Operating Budget authorized 28.13 positions and allocated \$3,186,541 to RSD.

The Director of RSD is responsible for ensuring that the department performs its key operations. In addition, per the City of San José Municipal Code, the RSD Director acts as the Secretary of the two plans' Boards of Administration and is responsible for supporting both Boards. As the head of RSD, the RSD Director reports to the City Manager.

Traveling On Behalf Of The Retirement Services Department And The Boards

Select staff of RSD and members of the Boards travel as part of their professional responsibilities. Business-related travel by RSD staff and Boardmembers can be divided into the following three categories:

Conferences, Education, and Training. RSD staff and members of both Boards are encouraged to pursue educational and training opportunities.

Retreats. The Boards hold annual retreats.

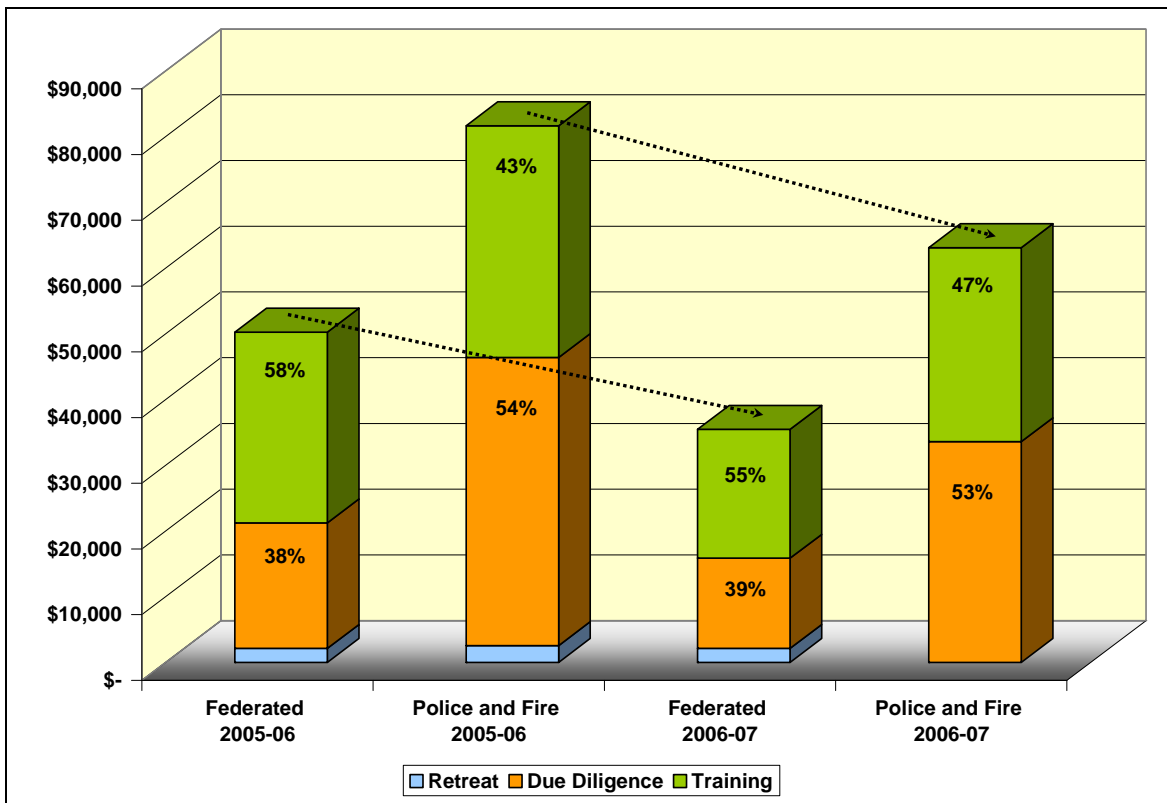
Due Diligence. Boardmembers and staff from the RSD may travel when necessary to evaluate and monitor managers, consultants, and investments.

When traveling, RSD staff are subject to the City of San José Employee Travel Policy. However, the respective Boards of Administration follow their own travel policies for Board-related travel. The City of San José Employee Travel Policy and the travel policies adopted by the two Boards define reasonable and necessary travel by outlining general travel restrictions. Copies of these policies are attached in Appendices B, C, D, and E.

Travel Activity For RSD Staff And Boardmembers

Federated and Police and Fire fund travel activities that benefit their respective plans. According to RSD's accounting of travel expenses, in fiscal year 2006-07, Federated expended over \$30,000 on travel activities, while Police and Fire expended over \$60,000 during the same time period.² Federated tends to spend a greater part of its travel budget on training and educational events, while Police and Fire tends to spend a greater part of its travel budget on due diligence trips. The following exhibits illustrate how Federated and Police and Fire spent their travel funds during fiscal years 2005-06 and 2006-07.

Exhibit 3: The Boards Used Travel Funds Primarily For Three Types Of Travel In FYs 2005-06 And 2006-07

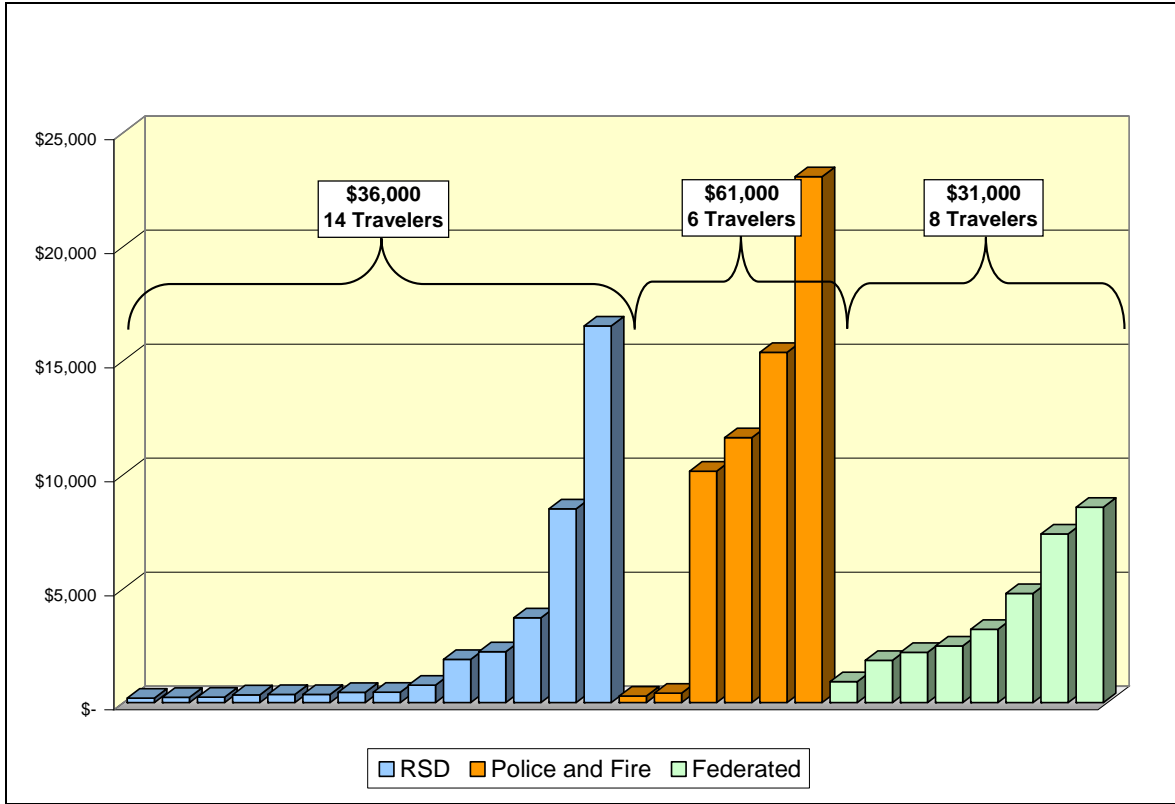


Source: Generated from information provided by RSD Staff.

Costs generated by individual RSD staff members and Boardmembers during fiscal year 2005-06 are shown below. Also shown are total costs generated by all individuals traveling on behalf of RSD, Federated, and Police and Fire during fiscal year 2005-06.

² This includes RSD staff travel costs. When traveling for the benefit of both Boards, RSD staff's travel costs are distributed between the two funds.

Exhibit 4: Travel Costs Vary Among RSD, Federated, And Police And Fire Travelers In FY 2005-06



Source: Generated from information provided by RSD Staff

Travel-Related Responsibilities

The travel policies adopted by the Boards prescribe specific responsibilities for travelers, the Boards of Administration, and the RSD Director. In addition, the City’s Finance Department handles the final approval of travel expense claims. The exhibit below summarizes key responsibilities and identifies the parties that perform them.

Exhibit 5: Shared Responsibilities For Board And RSD Travel

	Responsibility	Traveler	Board Of Administration	RSD Director And/Or Designee	Finance Department
PRE-EVENT	Propose Travel Activities	✓	✓	✓	
	Develop Schedule of Training Events/Conferences (Federated)			✓	
	Approve Travel Budget		✓		
	Complete Application for Education/Training	✓			
	Make Travel Arrangements/ Provide Travel Confirmations			✓	
POST-EVENT	Submit Oral or Written Travel Report to the Boards (Federated)	✓			
	Submit Statement of Travel Expenses	✓			
	Review for Final Processing by Finance Department			✓	
	Process Statement of Travel Expenses Finalize Reimbursements				✓

Source: Compiled by Auditor Staff.

Audit Objective, Scope, And Methodology

The objective of our audit was to evaluate the effectiveness of internal controls pertaining to travel of RSD staff members and members of the retirement Boards. More specifically, we evaluated: 1) travelers' compliance with their respective travel policies; 2) the reasonableness of travel expenditures; 3) the adequacy of applicable travel policies; and 4) the controls in place to ensure compliance with relevant laws and regulations.³

³ In October 2006, external auditors reviewed the travel practices of the Boards and RSD, and reported that Statement of Travel Expenses forms were not submitted; Travel Request Forms were not completed and approved by the Director of RSD; Statement of Travel Expenses forms were not submitted timely; A Statement of Travel Expenses form was not approved by the Director of RSD and timely submitted to the City's Finance Department for payment; and travel reports were not submitted.

Our evaluation covered the period between July 2005 and February 2008. RSD provided an Excel worksheet that its staff created to account for travel during this time period. According to RSD, the worksheet contained the travel transactions for the time period in question. We evaluated this worksheet to analyze travel costs and trends, and identify concerns. Our methodology also utilized interviews of RSD staff, Federated and Police and Fire Boardmembers, and Finance Department staff.

Although we intended to review all of the supporting documentation for the reported travel, RSD staff were unable to provide some necessary documentation for our review. However, we believe that the documentation that was provided was sufficient to evaluate RSD's travel expenses and practices. In addition to our general review, we also focused additional scrutiny on the individuals who, according to RSD's records, generated the highest travel costs. This included the 3 highest-cost travelers from Federated, the 3 highest-cost travelers from Police and Fire, and the 2 highest-cost travelers from RSD. Cumulatively, this group represented over 60 percent of the total travel expenses reported by RSD during the time period in question.

In addition to reviewing travel records, we reviewed the regulatory requirements relevant to travel, including requirements of the City Charter and Municipal Code, and the California Government Code. We also interviewed staff and reviewed the travel policies of other pension plans and government entities.

Finding I Tighter Policies Could Have Resulted In More Economical Travel

Government entities are held to a high standard in ensuring that public funds are used efficiently and effectively, and that the uses of such funds are transparent to the public. Toward this objective, Board-related travel expenses should be reasonable and in line with what a prudent person would incur when conducting official business. However, our review of the travel expenses between July 2005 and February 2008 revealed numerous instances in which Boardmembers and Retirement Services Department staff (Boardmembers and Staff) sought and received reimbursement for travel expenses that we considered uneconomical.

Specifically, we found:

- Boardmembers and Staff sought and received reimbursement for costly airfare, lodging, and food expenses even when less costly alternatives were available;
- Boardmembers and Staff did not take advantage of opportunities to reduce costs;
- The Boards' travel policies are insufficient; and
- Boardmembers and Staff increased travel expenses by making "last-minute" travel arrangements.

As a result, higher than necessary expenses were allowed and reimbursed to Boardmembers and Staff at the expense of the retirement pension plans.

In comparison to the travel policies of the City of San José and other government entities, the travel policies of the Federated City Employees' Retirement System (Federated) and the Police and Fire Department Retirement Plan (Police and Fire) are too general and fail to address or establish the necessary controls to ensure prudent and reasonable travel. In order to reduce the likelihood of future imprudent travel expenses, the Boards should adopt the City of San José Employee Travel Policy, encourage the most economical and practical travel accommodations, and better promote a culture of fiscal prudence.

Boardmembers And Staff Sought And Received Reimbursement For Costly Airfare, Lodging, And Food Expenses Even When Less Costly Alternatives Were Available

When traveling, Boardmembers and Staff should expend only what a prudent person would choose to expend when traveling on personal business. In addition, the entity for which the travel is being conducted should have in place clear policies and procedures that ensure all travel arrangements will be made within reasonable parameters. However, our review of the Retirement Services Department’s (RSD) travel files revealed some instances in which Boardmembers and Staff sought and received reimbursement for travel expenses that could have potentially been obtained for less than half of what RSD paid. Exhibit 6 illustrates examples of travel expenses that appeared excessive.

Exhibit 6: Examples Of Excessive Travel Expenses Generated By Boardmembers And Staff

Airfare	Reasonable Rate ⁴	Actual Cost	Percent Over Reasonable Rate
Flight to Dallas, TX (Apr. 2006)	\$479	\$1,248	161%
Flight to Ft. Lauderdale, FL (Apr. 2006)	\$366	\$ 719	97%
Flight to Atlanta, GA and Tampa, FL (Mar. 2006)	\$623	\$1,388	123%
Flight to Los Angeles, CA (Sept. 2005)	\$238	\$ 420	76%
Flight to Minneapolis, MN (July 2005)	\$512	\$ 817	60%
Flight to San Antonio, TX (Oct. 2005)	\$386	\$ 766	99%

Lodging	Reasonable Rate	Actual Cost	Percent Over Reasonable Rate
Per Night Hotel in Boston, MA (Sept. 2006)	\$203	\$505	149%
Per Night Hotel in Boston, MA (Sept. 2006)	\$203	\$430	112%
Per Night Hotel in New York, NY (June 2007)	\$214	\$456	113%
Per Night Hotel in Seattle, WA (Nov. 2007)	\$152	\$427	181%

⁴ To establish reasonable flight costs, we simulated the flights in question on an online reservation system and then compared those rates to what the travelers paid. When determining flight costs, the online reservation system provides flight options listed in ascending order in groups of 25. In order to provide a conservative flight cost estimate, we simulated the flight using 2008 flight costs and used the average of the lowest cost option and the highest cost option in the initial group of 25. To establish a reasonable cost for lodging and meals, we looked to the United States General Services Administration (GSA) which defines maximum per diem rates for lodging, meals, and incidental expenses for cities, counties, and states within the continental United States (CONUS). These rates vary by location, and occasionally, by season. Rates noted in Exhibit 6 are the reported CONUS rates for the specific time of travel with the exception of Boston for which we used the 2007 CONUS rate to adjust for seasonal cost differences. According to GSA, CONUS rates are intended to balance the need to ensure that official travel is conducted in a responsible manner with the need to minimize administrative costs.

Food	Reasonable Rate	Actual Cost ⁵	Percent Over Reasonable Rate
Food for Three in Philadelphia, PA (June 2006)	\$192	\$311	62%
Food for Three in Stamford, CT (Mar. 2006)	\$192	\$404	110%
Food for Four in New York, NY (July 2005)	\$204	\$425	108%
Food for Three in New York, NY (June 2006)	\$192	\$354	85%

Source: Generated from information provided by RSD Staff and Auditors' Analysis.

Our review of the Boards' policies showed that their current policies do not contain language that clearly discourages imprudent expenditures. In an effort to set the tone for prudent travel spending, The Los Angeles City Employees' Retirement System travel policy states, *"It is expected in each instance that an employee or elected official will only incur expenses that a reasonable and prudent person would incur if traveling on personal business."*

We recommend the Boards:

Recommendation #1

Promote a culture of fiscal prudence and encourage the most economical and practical travel accommodations. (Priority 3)

Travelers' Cost Estimates Were Sometimes Exceeded Without Written Explanations

Under the current travel process, a person who intends to travel should fill out and submit a "Travel Request Form" for approval. On this form, travelers are expected to accurately estimate their anticipated travel expenses so that approving parties can determine the appropriateness of the proposed expenses. Specifically, travelers must identify transportation, registration, lodging, rental car, and other expenses. Upon returning from a trip, the traveler must submit a "Statement of Travel Expenses" in order to obtain reimbursement. However, we found that in some cases, the actual costs of travel greatly exceeded the costs identified on the Travel Request Forms as shown in Exhibit 7. In these examples, no explanation was documented to clarify the need for exceeding the cost estimates.

⁵ Actual food cost includes the group dinner cost and the per diems received by those who attended the meal.

Exhibit 7: Travelers' Cost Estimates Not Always Accurate

Travel Description	Travel Expense Estimate	Actual Travel Expense	Percent Over Estimate
Site Visits, Los Angeles, CA (Sept. 2005)	\$ 427	\$ 949	122%
Due Diligence, London, UK and Stamford, CT (Apr. 2006)	\$ 2,698	\$ 4,660	73%
Conference, Honolulu, HI (Nov. 2005)	\$ 3,465	\$ 5,742	66%
Due Diligence, Atlanta, GA and St. Petersburg, FL (Mar. 2006)	\$ 1,373	\$ 2,063	50%
Training Course, Ontario, CA (Oct. 2007)	\$ 980	\$ 1,446	47%
Conference, Honolulu, HI (May 2007)	\$ 3,464	\$ 4,899	41%

Source: Generated from information provided by RSD Staff and Auditors' Analysis.

We recommend the RSD Director and the Finance Department:

Recommendation #2

**Require travelers to provide written justification when exceeding the estimated travel costs noted on the Travel Request Form.
(Priority 2)**

Boardmembers And Staff Did Not Take Advantage Of Opportunities To Reduce Costs

Government entities should seek opportunities to lower costs in order to maximize the use of their resources. For instance, the City of San José Employee Travel Policy requires employees to choose the lowest cost options for flights and all other modes of transportation. However, our review of the travel files showed that Boardmembers and Staff did not take advantage of opportunities to reduce travel costs. For example, we observed that ground transportation arrangements were not coordinated among Boardmembers traveling on the same trip, resulting in multiple rental car expenses. We also identified instances in which travelers did not take advantage of discounted conference hotel rates. In several cases, premium rental car options were selected and fuel service fees were incurred. We also found instances in which travelers charged short term parking fees when long term parking was available at half the cost. Our interviews with Boardmembers and Staff revealed that lodging arrangements are often selected based on the hotels' proximity to the final destinations and not because of the reasonableness of their rates.

It appears that part of the higher travel costs are attributable to a significant preference by Boardmembers and Staff to travel on one particular airline, even when less expensive alternatives were available. Furthermore, Boardmembers and Staff used a travel agency which was operated by a

retired San José Police Officer. This agency assessed a \$40 service fee per transaction and did not appear to produce lower rates. In contrast, the State of California contracts with State-authorized travel agencies. State-authorized travel agencies have met objective performance standards, including applying a maximum ticketing fee of \$10. If Boardmembers and Staff had been subject to these standards, many trips would have been less costly. When we asked RSD staff why the Department used the travel agencies it used, the respondent indicated that the travel agents worked well with staff and provided reliable, convenient service.

We recommend the Boards:

Recommendation #3

Actively seek conference rates, government rates, and other general travel discounts. (Priority 3)

According to the Finance Director, traveling City employees commonly secure their own travel accommodations through online travel services. Should RSD and the Boards continue to enlist the services of outside travel agencies, we recommend RSD:

Recommendation #4

Use a competitive process to identify an appropriate travel agency. (Priority 2)

The Boards' Travel Policies Are Insufficient

During the course of our audit, we obtained and reviewed the travel policies of six government entities. Most of the travel policies we reviewed, including the City of San José Employee Travel Policy, were more comprehensive and detailed than the travel policies of the Boards.⁶ Areas where the other policies appeared to have stronger and more precise language were:

- Emphasizing the need to obtain the most economical and cost effective travel arrangements;
- Listing the consequences for violating the travel policy;
- Clearly establishing the parameters that guide appropriate travel;

⁶ For more key concepts that are covered by the travel policies of other government entities, see Appendix F.

- Placing responsibility on the traveler for complying with the California Political Reform Act and the Brown Act;
- Establishing an orientation training for new Boardmembers and setting guidelines for the desired amount of training;
- Establishing minimum annual training requirements for all Boardmembers; and
- Referencing gift and ethics policies.⁷

In our opinion, the general nature of the Boards’ travel policies have allowed for excessive or imprudent expenses to go unquestioned.

The City of San José Employee Travel Policy is more comprehensive, prescriptive, and restrictive than the Boards’ current travel policies. By outlining specific expectations for travelers, the City’s travel policy promotes more economical travel. In our opinion, the Boards should adopt the City of San José Employee Travel Policy. By doing so, the Boardmembers will have better direction on what is considered appropriate travel expenditures and make significant progress in ensuring that future travel will be necessary, reasonable, prudent, and cost effective. This should also simplify the travel approval process for RSD and Finance staff, and implement many of the recommendations noted thus far.

We recommend the Boards:

Recommendation #5

**Adopt the City of San José Employee Travel Policy as their own.
(Priority 2)**

As shown in Exhibit 3, 43 to 58 percent of travel expenses during FYs 2005-06 and 2006-07 were related to conferences and training. The purpose of each Board’s travel policy is to strongly encourage continuing education of boardmembers and to establish policies and procedures. However, neither Boards’ policies define appropriate levels of training or education for boardmembers.

We recommend the Boards:

Recommendation # 6

Establish reasonable parameters for travel and training. (Priority 3)

⁷ It should be noted that Federated has a “Travel and Gifts” policy. It is attached in Appendix D.

We recommend the Boards:

Recommendation #7

Require mandatory training on travel policies for Boardmembers and Staff. (Priority 3)

Boardmembers And Staff Increased Travel Expenses By Making “Last-Minute” Travel Arrangements

When possible, a prudent traveler would avoid making last-minute travel arrangements because they often result in significantly higher costs. The City of San José Employee Travel Policy seeks to prevent last-minute travel by requiring that *“a completed Travel Request Form shall be submitted to the Department Director and the Finance Department at least two weeks prior to the deadline for any refunds, credits on reservations or other related expenses.”* However, we found examples in which some travel arrangements were made just prior to trips without any documentation justifying the necessity for last-minute travel. This type of travel resulted in higher than necessary costs. For example, we identified a two-day trip to Los Angeles for which the travel arrangements were made four days prior to departure. The cost of the trip was almost \$1,000. We surmise that a large portion of the higher costs for this trip was attributable to making last-minute travel arrangements. In another example, a flight to Dallas, Texas was scheduled five days prior to travel, resulting in flight costs of over \$1,200. Making travel arrangements in advance reduces costs and allows for more cost effective options to be explored.

We recommend the Finance Department:

Recommendation #8

Incorporate language into the City of San José Employee Travel Policy that requires written justification for last-minute travel arrangements. (Priority 3)

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Finding II Some Travelers Received More In Travel Reimbursements Than They Were Entitled To Receive

Travel policies guide prospective travelers in their travel activities, and define reasonable and necessary travel expenses. The Board of Administration for the Federated City Employees Retirement System (Federated), the Board of Administration for the Police and Fire Department Retirement Plan (Police and Fire), and the City of San José have each adopted their own travel policies. All three policies intend to define reasonable and necessary travel expenses, and prohibit certain expenses deemed unreasonable and unnecessary. Despite the travel policies' prohibitions, we found that on several occasions, traveling Boardmembers and Retirement Services Department staff (Boardmembers and Staff) received travel reimbursements for expenses that were clearly not allowed by their respective travel policies. Specifically, we found:

- Some Boardmembers and Staff were reimbursed for ineligible expenses such as: 1) extended stays and other personal expenses, 2) expenses unsupported by receipts, 3) excessive meals and inappropriate per diems; and
- Some Boardmembers were reimbursed for expenses they did not incur.

In our opinion, ineligible expenses were reimbursed due to insufficient review of travel activities and documents, and errors in completing travel forms. When we notified Boardmembers and Staff about the ineligible reimbursements, all individuals we notified submitted payments for the purpose of correcting ineligible reimbursements they had received. Since discovering the ineligible reimbursements, we have been working collaboratively with Boardmembers and Staff to identify and prevent future ineligible expenses from being requested and approved.

Analysis Of Boardmembers And Staff Travel Activity Hampered By Incomplete Files

Although we intended to review all of the supporting documentation for the reported travel between July 2005 and February 2008, RSD staff was unable to provide all necessary documentation. At the time of our review, RSD was unable to provide supporting documentation for approximately \$50,000 of the approximately \$260,000 of travel expense RSD reported was incurred during this time period. After our analysis was complete, RSD staff provided explanations for a number of these missing files.

Our review of the travel records that RSD staff provided revealed about \$6,300 in ineligible travel expenses generated by 6 individual Boardmembers and Staff. None of these individuals were City Councilmembers. These travelers have since repaid the pension plans for these ineligible amounts. However, due to incomplete travel files, we cannot be assured that all ineligible expenses have been identified.

We recommend RSD:

Recommendation #9

Completely document its travel activity and improve the organization of its travel files. (Priority 2)

Extended Stays And Other Personal Expenses

According to their respective travel policies, Boardmembers and Staff should incur travel expenses only for reasonable and necessary expenses associated with approved travel activities. Nevertheless, in our review of travelers' records between 2005-06 and 2007-08, we found reimbursed expenses that were unrelated to approved travel activities. In one such occurrence, a Boardmember was over reimbursed approximately \$2,300 for personal expenses he incurred before and after a conference. The Boardmember has since acknowledged that during a three-day portion of the trip, he was neither representing the Board, nor conducting business on its behalf.

During the course of our audit, a RSD staff member informed us that a concern regarding an extended stay had previously been raised to a former supervisor who dismissed the concern. According to the RSD staff member, the supervisor directed staff to disregard the issue and process the reimbursement without further review.

In another example of reimbursements for expenses unrelated to approved travel activities, a RSD staff member was reimbursed over \$500 for rental car and parking expenses in connection with a conference. After further review of this expense, we questioned whether the traveler really needed a rental car as his lodging accommodations were at the conference venue, which was an estimated 15-minute drive from the airport. When we asked the traveler about the car rental expense in question, the traveler admitted that the rental car expenses were not related to his participation in the conference, but were solely related to "personal business."

In another example, we identified a Boardmember who secured lodging at nearly double the conference rate in order to accommodate family members. Costs incurred as a result of accompanying family members are explicitly prohibited in both Boards' travel policies.

The City of San José Employee Travel Policy prescribes that department directors, the Director of Finance or the City Manager,⁸ are responsible for ensuring that travel expenses are reasonable and necessary. As such, they are tasked with reviewing, approving, and denying Travel Request Forms and Statements of Travel Expenses. However, approving parties did not identify any of the instances we identified in which travelers claimed reimbursement for expenses that were unrelated to approved travel activities.

We recommend the Finance Department:

Recommendation #10

Revise the City of San José Employee Travel Policy to require travelers to include event brochures and itineraries with their Travel Request Forms and Statements of Travel Expenses to help approving officials verify that expenses are related to approved travel activities. (Priority 3)

Recommendation #11

Provide training for RSD and City employees who process travel documents. (Priority 3)

Expenses Unsupported By Receipts

Per the travel policies of the Federated and Police and Fire Retirement Boards, and the City of San José, reimbursement requests should be supported by itemized receipts. However, we found numerous examples in which traveling Boardmembers and Staff sought and received reimbursements for expenses that were not supported by itemized receipts. For example, one Boardmember was reimbursed for airfare expenses without providing a receipt of itemized expenses, or an explanation as to why the receipt was missing. Instead, the Boardmember submitted a reservation confirmation that both RSD and the Finance Department accepted. In another example, a RSD staff member claimed and was

⁸ The City Manager typically approves department directors' travel, out-of-state travel, or travel that involves unique or extraordinary circumstances.

granted reimbursement for rental car expenses based on a reservation confirmation rather than an itemized receipt. Furthermore, in the latter example, the amount of reimbursement exceeded the amount listed on the reservation confirmation. We also found several incidents in which travelers sought reimbursement for specific meal expenses and did not provide itemized receipts, but instead submitted receipts that contained only the total amounts paid.

We recommend RSD and the Finance Department:

Recommendation #12

Require actual receipts, proof of payment, or in unique circumstances, written explanations for missing receipts or proof of payment. (Priority 1)

Excessive Meals And Inappropriate Per Diems

During a due diligence trip to the East Coast, one RSD staff member was reimbursed for two meals for himself and two other travelers (a total six of meals). The reimbursement was granted without itemized receipts as required by the City travel policy which states “*Actual costs for meals shall be reimbursed when supported by itemized receipts up to 150% of the applicable Per Diem rate for Meals.*” This example illustrates two types of ineligible expenses: 1) the staff member was reimbursed for more than the allowable limit prescribed by the City of San José Employee Travel Policy, and, 2) the Boardmembers claimed per diem when their meals had already been covered by the staff member.

When one traveler pays on behalf of a group, it is particularly important for travelers to coordinate reimbursement requests. Meal expenses need to be reasonable and should remain within the prescribed per diem limits. In our opinion, if travelers exceed the meal expense limit, they should personally absorb the amounts over the limit.

We recommend the Finance Department:

Recommendation #13

Revise the City of San José Employee Travel Policy to require travelers to clearly disclose, itemize, and account for group expenses. (Priority 3)

Some Boardmembers Were Reimbursed For Expenses They Did Not Incur

According to both Boards' travel policies, "*Board members and staff may be authorized to undertake official travel and be reimbursed for all reasonable and necessary expenses incurred while traveling on Board business...*" As such, seeking reimbursements for expenses that were not incurred while traveling on Board business is strictly prohibited. Despite this, we found several instances in which Boardmembers were reimbursed for expenses they did not incur.

In some cases, the over reimbursement appears to be accidental. For example, we identified an instance in which a Boardmember was reimbursed more than he should have been because a room credit was not appropriately accounted for in his Statement of Travel Expenses.

Several of the travelers whose activity we reviewed were minimally involved in their travel arrangements. In these cases, travelers did not make their travel arrangements, fill out their travel documents, or even sign their own Travel Request Forms and Statements of Travel Expenses. In our opinion, travelers should review, sign, and verify the accuracy of their own Statements of Travel Expenses in order to minimize the likeliness of errors in expense claims.

We also identified some reimbursement requests that appear to be intentionally greater than the actual costs of travel. On one such occasion, a Boardmember submitted erroneous documentation that represented several hundred dollars more than the actual airfare costs. In another instance, a Boardmember modified a receipt to recover unsupported expenses.

The ineligible expenses noted above have been repaid to the pension plans. However, because the false documentation was clearly inappropriate and unacceptable, we have referred these, as well as all other ineligible expenses cited in this report to the City Manager's Office and the City Attorney's Office for further review.

We recommend RSD and the Boards:

Recommendation #14

**Require Boardmembers and Staff to complete and sign their own Travel Request Forms and Statements of Travel Expenses.
(Priority 2)**

We recommend the Finance Department:

Recommendation #15

Add language to the Travel Request Form that requests signatories to verify that all expenses will be incurred for the purpose of City business. (Priority 1)

Finding III Improvements Are Needed To Address Ethics, Transparency, And Perceived Conflicts Of Interest

While traveling on official business, Boardmembers are subject to local and State regulations that are intended to ensure ethical and transparent behavior. These regulations limit and define the gifts that City employees and decision-makers can receive, and provide guidelines for acceptance and reporting of gifts. These regulations also limit instances in which Boardmembers can gather outside of regularly scheduled meetings – a potential issue when traveling in groups. During our review, we noticed examples of travel activities that could be perceived as out of compliance with the City’s gift ordinance and State law. Absent controls to ensure compliance, Boardmembers may be at greater risk of running afoul of critical legal provisions and creating the perception of impropriety.

Acceptance Of Gifts Of Food And Entertainment

All City employees and officials, including Boardmembers, are obligated to comply with the City’s Gift ordinance. The San José Municipal Code Chapter 12.08 Prohibition of Gifts states

“No officer or designated employee of the city or its redevelopment agency shall accept any gift, directly or indirectly, from any person who is subject to the decision-making or recommending authority of such officer or employee, except as specifically provided in this chapter.” Furthermore, section 12.08.015 states, *“the reporting and disclosure of gifts shall be done in accordance with the requirements of the Political Reform Act, California Government Code Section 81000 et seq., as amended, and the requirements in this chapter.”*

We confirmed through the City Attorney’s Office that nominal gifts made available to all event participants as part of an event are less likely to be subject to reporting requirements. On the other hand, gifts by third parties that are offered only to select individuals or select groups should be tracked and reported as directed by the City of San José Gift Ordinance.

However, we identified numerous examples of activities that can be perceived to be out of compliance with gift restrictions. Among these are several examples in which Boardmembers and Staff accepted gifts of meals or entertainment by third parties while at conferences or on due diligence

trips. One RSD employee reported that it was commonplace for investment groups and other entities to treat Boardmembers to meals. Another Boardmember described some of these events as “wine-and-dine” sessions in which Boardmembers network with business associates. However, after participating in a third-party sponsored dinner for a select group of individuals, one Boardmember felt compelled to send a personal check to the sponsoring company for \$100.⁹ This individual felt strongly that the meal fell under the City’s gift restrictions and felt the need to either pay for the meal or report the meal on the Statement of Economic Interest under reportable gifts.¹⁰ Also attending this same event were two other Boardmembers and one RSD staff, none of whom paid the sponsor or reported meals on their Statements of Economic Interest.

We recommend the Boards:

Recommendation #16

Establish controls to ensure compliance with the San José Municipal Code Chapter 12.08 Prohibition of Gifts. (Priority 2)

Acceptance Of Donated Conference Registration

According to the Boards’ travel policies:

Any donations of educational conferences, and similar events and benefits, including travel, meals and accommodations must be made to the Board of Administration... and not directly to individual Board members. The Board of Administration will determine whether or not to accept any donations, and any acceptance shall be by resolution. The Board will be solely responsible for the selection of the Board member or other individual who will attend or otherwise participate on behalf of the Board of Administration.

This appears to be a strong control for preventing gifts from being received, and avoiding the perception of a conflict of interest. However, despite this direction, we found that on at least one occasion, a Boardmember did not comply with this policy. Specifically, a Boardmember who was

⁹ The Boardmember estimated the value of services to be \$100.

¹⁰ The Statement of Economic Interest is a State-required document that is intended to ensure that certain employees and public officials report personal assets and income. The document is more commonly known as the Form 700.

participating in a conference in his capacity as a Boardmember, had most of his conference registration (\$595) paid by a labor union. Concerns that are raised by this example are potential or perceived conflict of interest, and violation of the Boards' travel policies.¹¹

In order to ensure compliance with the Police and Fire's travel policy and avoid the perception of a conflict of interest, we recommend that the Police and Fire Board:

Recommendation #17

Consult with the Boards' legal counsel to determine how to handle the conference registration expense of \$595. (Priority 2)

The California Political Reform Act And The Statement Of Economic Interest

The Political Reform Act of 1974¹² (PRA) is California's conflict of interest law for public officials. The PRA's requirements are administered by the Fair Political Practices Commission (FPPC). The mission of the FPPC is to promote the integrity of representative State and local governments in California through fair, impartial interpretation, and enforcement of political campaign, lobbying, and conflict of interest laws. The PRA requires certain "designated" public officials at all levels of government to publicly disclose their private economic interests, and requires all public officials to disqualify themselves from participating in decisions in which they have a financial interest.

As such, State and local government officials and some government employees, including Boardmembers and Staff, must file "Statements of Economic Interest" (Form 700s). The Form 700 includes the "income-gift" disclosure and the "Travel Payment, Advances, and Reimbursements" disclosure. Given our previously mentioned concerns regarding gift handling by Boardmembers and Staff, we obtained and reviewed all filed Form 700s for the Boardmembers and RSD staff. During our review of the Form 700s, we found several concerns. Specifically we found:

- Some Boardmembers did not specify their reportable affiliations with the retirement Boards on their Form 700s;

¹¹ By allowing a union or any other entity to pay for Board-related expenses, a Boardmember brings to question whose interests the Boardmember truly represents. To emphasize the importance of Boardmembers acting solely in the interest of their retirement funds, the California Pension Protection Act states, "A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty."

¹² California Government Code Sections 81000-91014.

- Some Boardmembers and Staff did not submit their Form 700s by the deadline;
- One Boardmember may not have submitted a Form 700 for 2006; and
- Some Boardmembers may not have disclosed reportable gifts on their Form 700.

We recommend the Boardmembers and Staff:

Recommendation #18

Complete and submit outstanding Statements of Economic Interest, and consider the need to amend previously submitted Statements of Economic Interest. (Priority 1)

The City Clerk's Office is responsible for supplying Form 700s to required filers and notifying officials when they do not file by the prescribed deadline. The Clerk's Office is also required to report PRA violations to the appropriate enforcement agency. Although the Clerk's Office notified Boardmembers and Staff of their filing obligations, we found the City Clerk does not consider the Boardmembers as part of the group of government officials that are identified by Government Code Section 87200. Government officials identified under section 87200 include the Mayor, City Councilmembers, Planning Commissioners, and public officials who manage public investments. Individuals in this group are more heavily scrutinized and must file directly with the State. Given the fiduciary responsibility placed on members of the Boards and on some members of RSD staff, we believe the City should treat the retirement Boardmembers and some RSD staff as Section 87200 filers.

We recommend the City Clerk:

Recommendation #19

Consult with the FPPC to determine whether Boardmembers, the RSD Director, the Chief Investment Officer, and other RSD investment staff should be treated as covered by Government Code Section 87200. (Priority 2)

Recommendation #20

Follow-up on outstanding Statements of Economic Interests and report filing violations to the oversight entity and the appropriate enforcement agency as required by the PRA. (Priority 2)

AB 1234 - Reports On Results Of Travel

Federated's current travel policy requires Boardmembers to provide oral or written reports to the Board after educational conferences "in a timely manner" and states that outstanding travel reports are to be placed on the pending actions list until completion. The policy is insufficient in that it does not compel travelers to report on due diligence travel and does not adequately define "timely manner." Furthermore, Police and Fire does not have this requirement.

We believe this insufficiency leads to the Boards' lax enforcement of travel reports, which has resulted in traveling Boardmembers not always completing travel reports. Furthermore, Boardmembers did not always present travel reports at the meetings immediately after the travel activities. We also learned that outstanding travel reports were not placed in the on the Board agendas' pending actions list which would remind travelers of their responsibility to publicly report the results of their travel activities. Inconsistent reporting on official travel has resulted in insufficient travel records and transparency during official travel. AB 1234 states "*members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body.*" Boardmembers may not comply with this AB 1234 provision.

We recommend the Boards:

Recommendation #21**Develop and enforce travel report guidelines for all board-funded travel activities per AB 1234. (Priority 2)**

The Los Angeles City Employees' Retirement System (LACERS) has adopted the practice of making all travel by the Board public and transparent. This transparency is achieved by making all travel activity related to LACERS public and promptly posting its travel activity and expenses on the LACERS website. In addition, the LACERS General Manager is required to publicly report all travel activity at the end of the year. In our opinion, the Boards should adopt, like LACERS, a more transparent practice of publicizing their travel activities and expenses.

We recommend the Boards:

Recommendation #22

**Develop and publicly post periodic travel expense summaries.
(Priority 3)**

Complying With The Ralph M. Brown Act While Traveling

The Ralph M. Brown Act (Brown Act) seeks to ensure that legislative policy makers engage in debate and discussion, and arrive at decisions at publicized meetings where members of the public can witness and participate. The Brown Act limits instances in which decision-makers can gather outside of regularly scheduled meetings and discuss, make decisions about, or vote on issues that are to be considered by the entire policy body. Informal gatherings such as lunches or social gatherings could also constitute meetings if issues under the subject matter jurisdiction of the body are discussed or decided. The Brown Act specifically prohibits “*any use of direct communication, personal intermediaries or technological devices that are employed by a majority of the members of the legislative body to develop a collective concurrence as to action to be taken.*” Most often, this type of meeting is conducted through a series of communications by individual members or less-than-a-quorum groups, ultimately involving a majority of the body’s members. These meetings are called serial meetings.

Whenever Boardmembers communicate with each other regarding official business outside of their public meetings, there is a possibility that they could violate the Brown Act by inadvertently discussing and developing concurrence on Board agenda items. In our review of the Boards’ travel policies, only Federated’s travel policy included language to address the Brown Act. Federated’s current education and travel policy states, “*Travel when four or more Board Members are present shall be posted in the prescribed manner as dictated by the Brown Act.*” Police and Fire’s policy does not include this reference.

As a control for complying with the Brown Act, the Los Angeles Police and Fire System specifically dedicates a section of its new member orientation process to reviewing the Brown Act. The Fresno Retirement Board also addresses the Brown Act by limiting the number of travelers that can simultaneously participate in the same events.

The Boards' policies are a critical resource in guiding Boardmembers' behavior and therefore, should be clear and comprehensive. Given the importance of complying with the Brown Act, stronger measures should be taken to deter and prevent actual or perceived Brown Act violations especially when traveling in groups. The lack of reference to the Brown Act in Police and Fire's policy creates unnecessary risk of Brown Act violations.

We recommend the Boards:

Recommendation #23

**Adopt supplemental policies to limit the number of Boardmembers traveling together and post events as required by the Brown Act.
(Priority 3)**

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**TO: Mayor and
Council of the City of San Jose**

**FROM: DAVID BUSSE and
KENNETH HEREDIA**

CC: City Auditor, City Manager

DATE: August 27, 2008

**SUBJECT: PRELIMINARY RESPONSE TO THE REPORT BY THE OFFICE OF
THE CITY AUDITOR CONCERNING AN AUDIT OF RETIREMENT
SERVICES TRAVEL EXPENSES**

INTRODUCTION TO PRELIMINARY RESPONSE TO THE CITY AUDITOR'S AUDIT REPORT

In recognition of the significance of the issues raised in the report by the City Auditor of the audit of Retirement Services travel expenses, the vice-chair of the Board of Administration of the Police and Fire Retirement Plan and the chair of the Board of Administration of the Federated City Employees Retirement System consider it a matter of the first priority to provide an initial response to the report, to thank the City Auditor and her staff for the depth and thoroughness of the report, and to pledge to the Mayor, to the Council, to the City Manager, and to the citizens of the City of San Jose that each retirement board will exercise its best efforts to immediately review and implement the recommendations set forth in the City Auditor's report.

OVERVIEW OF PRELIMINARY RESPONSE TO THE CITY AUDITOR'S AUDIT REPORT

We acknowledge the fiduciary responsibility placed upon each Board to address the issues raised in the report by the City Auditor. This report will not be allowed to gather dust but will instead be immediately placed on each Board's agenda for review, all of its recommendations studied with care, and the progress of implementation be reported to all parties. Indeed Board remediation efforts have already begun. As early as August 7, 2008, the Boards invited the City Auditor to a meeting and commenced the process of coordination with the City Auditor and the process of incorporating the recommendations into each Board's travel policy. The Boards will continue to take steps in coordination with other stakeholders to insure in an open and transparent manner that the issues raised in the City Auditor's report are fully and completely addressed.

The City Auditor's report identified a lack of personal compliance by certain individual Board members. We view this as a failure, in part, to have a comprehensive orientation program in place which stresses to each and every new Board member the necessity to strictly adhere to a Board culture of fiscal and fiduciary prudence. The Boards will work to rectify this failure.

IMMEDIATE IMPLEMENTATION RECOMMENDATIONS

We consider it important to immediately commence the implementation of appropriate and prudent measures. Although the Boards have not been able to meet since the issuance of the City Auditor's report, they will meet soon. We will then recommend that each Board take the following eleven actions. These are not the only measures which we will recommend that the Boards adopt, but these are the ones that can be addressed most rapidly.

1. Effective immediately, all travel by Board members will appear on each Board agenda.
2. Effective immediately, all travel by Board members will be approved by motion of the applicable Board.
3. Effective immediately, Board actions approving Board member travel will appear in the minutes of each Board meeting.
4. Effective immediately, travel by Board members on due diligence visits to investment managers will be reevaluated, with reliance on professional staff and investment consultants for support.
5. Effective immediately, each Board will by motion convey to the Director of Retirement Services and staff the importance of adhering to the Board's travel policy and of maintaining a culture of fiscal prudence.
6. Effective immediately, each Board will direct staff members to report to the applicable Board any future effort by any Board member to circumvent Board travel policies and procedures.
7. Effective immediately, the implementation of the City Auditor's report shall appear as an action item on each and every Board agenda until compliance has been achieved.
8. Effective immediately, the Boards direct staff and any Board committee assigned to the remediation effort to provide regular written updates to the applicable Board on progress toward implementing appropriate reforms.
9. Effective immediately, each Board shall provide to the Mayor, the Council, the City Auditor, and the City Manager regular written updates describing progress made toward adopting and implementing appropriate reforms.
10. Effective immediately, the Boards will coordinate with the City Auditor on any schedule suggested by her on the measures being considered by the Board, obtain her input, and proceed forward accordingly.
11. Effective immediately, the Boards will contact and coordinate with the City Auditor to schedule a follow-up audit on these issues in whatever format and time is convenient to that office.

The bottom line is that the need for remediation is apparent. The City Auditor's report lays out a road map for progress. The recommendations identified in that report carry with them in our opinion a presumption of correctness. This is the attitude that we will ask each Board to bring to bear on its further review of the City Auditor's report and the measures taken in response to that report.

IDENTIFICATION OF THE RECOMMENDATIONS BY THE CITY AUDITOR TO THE BOARDS OF ADMINISTRATION, THE DIRECTOR OF RETIREMENT SERVICES, THE FINANCE DEPARTMENT, AND THE CITY CLERK

To make it clear to all stakeholders that the Boards are aware of the magnitude of the issues before them and their commitment not to deviate from addressing them, it is useful to list and acknowledge in this response each of the twenty-three recommendations advanced by the City Auditor in its cogent, comprehensive, and well-thought-out report. We note that seven of the twenty-three recommendations are directed to municipal entities other than the Boards of Administration and the Department of Retirement Services. We will pursue the level of coordination that this distribution suggests is appropriate.

<u>Recommendation #1:</u> <i>(Directed to the Boards of Administration)</i>	Promote a culture of fiscal prudence and encourage the most economical and practical travel accommodations. (Priority 3)
<u>Recommendation #2:</u> <i>(Directed to the Director of Retirement Services and Finance Department)</i>	Require travelers to provide written justification when exceeding the estimated travel costs noted on the Travel Request Form. (Priority 2)
<u>Recommendation #3:</u> <i>(Directed to the Boards of Administration)</i>	Actively seek conference rates, government rates, and other general travel discounts. (Priority 3)
<u>Recommendation #4:</u> <i>(Directed to the Director of Retirement Services)</i>	Use a competitive process to identify an appropriate travel agency. (Priority 2)
<u>Recommendation #5:</u> <i>(Directed to the Boards of Administration)</i>	Adopt the City of San José Employee Travel Policy as their own. (Priority 2)
<u>Recommendation #6:</u> <i>(Directed to the Boards of Administration)</i>	Establish reasonable parameters for travel and training. (Priority 3)
<u>Recommendation #7:</u> <i>(Directed to the Boards of Administration)</i>	Require mandatory training on travel policies for Boardmembers and Staff. (Priority 3)
<u>Recommendation #8:</u> <i>(Directed to the Finance Department)</i>	Incorporate language into the City of San José Employee Travel Policy that requires written justification for last-minute travel arrangements. (Priority 3)

<p><u>Recommendation #9:</u> (Directed to the Director of Retirement Services)</p>	<p>Completely document its travel activity and improve the organization of its travel files. (Priority 2)</p>
<p><u>Recommendation #10:</u> (Directed to the Finance Department)</p>	<p>Revise the San José Employee Travel Policy to require travelers to include event brochures and itineraries with their Travel Request Forms and Statements of Travel Expenses to help approving officials verify that expenses are related to the approved travel activities. (Priority 3)</p>
<p><u>Recommendation #11:</u> (Directed to the Finance Department)</p>	<p>Provide training for RSD and City employees who process travel documents. (Priority 3)</p>
<p><u>Recommendation #12:</u> (Directed to the Director of Retirement Services and Finance Department)</p>	<p>Require actual receipts, proof of payment, or, in unique circumstances, written explanations for missing receipts or proof of payment. (Priority 1)</p>
<p><u>Recommendation #13:</u> (Directed to the Finance Department)</p>	<p>Revise the San José Employee Travel Policy to require travelers to clearly disclose, itemize, and account for group expenses. (Priority 3)</p>
<p><u>Recommendation #14:</u> (Directed to the Boards of Administration and Director of Retirement Services)</p>	<p>Require Boardmembers and Staff to complete and sign their own Travel Request Forms and Statements of Travel Expenses. (Priority 2)</p>
<p><u>Recommendation #15:</u> (Directed to the Finance Department)</p>	<p>Add language to the Travel Request Form that requests signatories to verify that all expenses will be incurred for the purpose of City business. (Priority 1)</p>
<p><u>Recommendation #16:</u> (Directed to the Boards of Administration)</p>	<p>Establish controls to ensure compliance with the San José Municipal Code Chapter 12.08 Prohibition of Gifts. (Priority 2)</p>
<p><u>Recommendation #17:</u> (Directed to the Board of Administration of the Police and Fire Department Retirement Plan)</p>	<p>Consult with the Boards' legal counsel to determine how to handle the conference registration expense of \$595. (Priority 2)</p>
<p><u>Recommendation #18:</u> (Directed to the Boards of Administration and Director of Retirement Services)</p>	<p>Complete and submit outstanding Statements of Economic Interest and consider the need to amend previously submitted Statements of Economic Interest. (Priority 1)</p>
<p><u>Recommendation #19:</u> (Directed to the City Clerk)</p>	<p>Consult with the FPPC to determine whether retirement Boardmembers, the RSD Director, the Chief Investment Officer and other RSD staff should be treated as covered by Government Code Section 87200. (Priority 2)</p>

<u>Recommendation #20:</u> <i>(Directed to the City Clerk)</i>	Follow-up on outstanding Statements of Economic Interests and report filing violations to the oversight entity and the appropriate enforcement agency as required by the PRA. (Priority 2)
<u>Recommendation #21:</u> <i>(Directed to the Boards of Administration)</i>	Develop and enforce travel report guidelines for all board-funded travel activities per the AB 1234. (Priority 2)
<u>Recommendation #22:</u> <i>(Directed to the Boards of Administration)</i>	Develop and publicly post periodic travel expense summaries. (Priority 3)
<u>Recommendation #23:</u> <i>(Directed to the Boards of Administration)</i>	Adopt supplemental policies to limit the number of Boardmembers traveling together and post events as required by the Brown Act. (Priority 3)

In considering each recommendation, we will recommend to the Boards that they treat each one as possessing a presumption of correctness. To the extent that a recommendation is not adopted in whole, we will recommend that the Boards notify the City Auditor, the Mayor, the Council, and the City Manager of the reasons for such a position and ask for their input, comment, and suggestions. We will also recommend that the Boards not wait to adopt the recommendations as a package but begin to review, adopt, and implement each one as soon as it is possible to do so. We will recommend that the Boards exercise their best efforts and direct staff to make it their priority to proceed with all due haste in reviewing and adopting the recommendations and in taking whatever other action is necessary to insure that the matters summarized in the report not occur in the future.

CONCLUSION

We thank the City Auditor and staff for having set out in a clear and concise manner where things stand and what needs to be done to rectify matters. We believe that the Boards are committed to doing so and to demonstrating that commitment not by words but by their actions. We trust that the actions the Boards take in the near future will constitute a response to the City Auditor's report that is powerful and persuasive.

Ken Heredia /rc

Kenneth Heredia, Vice Chair
Board of Administration -
Police & Fire Department
Retirement Plan

David Busse

David Busse, Chair
Board of Administration -
Federated City Employees
Retirement System



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Memorandum

TO: Sharon Erickson
City Auditor

FROM: Debra Figone
City Manager

**SUBJECT: ADMINISTRATION'S RESPONSE
TO "AN AUDIT OF RETIREMENT
SERVICES' TRAVEL EXPENSE"**

DATE: August 22, 2008

The Administration has reviewed "*An Audit of Retirement Services' Travel Expenses*" (the Audit) and is in agreement with the recommendations that directly relate to the Administration. While many of the recommendations are directed to the Police and Fire Retirement Board and the Federated Retirement Board (Boards), the Audit disclosed several opportunities for improvement on the Administration's processing of travel documents. For this reason, I am issuing a response to recommendations that are either directed to the Retirement Director or Finance Director, as these departments are under the purview of the City Manager. It is my understanding that the Boards will issue a separate response to this Audit that directly addresses recommendations specific to the Boards.

The Administration takes very seriously the findings made in this report. While the City Auditor's Office worked on this Audit, and based on its suggestions, action was taken to begin amending the City's Employee Travel Policy by fall 2008. Amendments include revision to the Policy, travel documents, and forms used to process travel requests and reimbursements. I also want to emphasize that training is key to correcting administrative processes and procedures that have been identified. Before the amendments to the City's Employee Travel Policy are in place, staff will initiate trainings to ensure that new process improvements are understood and followed by staff that process travel documents, as well as staff who travel on City business. If the Boards accept the recommendations to adopt the City's Policy as their own, these revisions and training should address many of the concerns raised in the Audit.

Some of the findings are disturbing in that they suggest inappropriate actions by some Board Members and City staff regarding travel expenses and upholding the public's trust. To respond appropriately to these actions, I have referred these issues to the Office of Employee Relations to determine if an investigation or further action is warranted. The Office of Employee Relations will be working directly with the Office of the City Attorney.

Although some findings are specifically directed to the Boards, the Administration, through the Department of Retirement Services, will assist the Boards and monitor progress to



CITY AUDITOR

RE: Administration's Response to An Audit of Retirement Services' Travel Expenses

August 22, 2008

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ensure that these findings and recommendations are addressed. Any concerns with regard to implementation will be brought to the attention of the City Council.

Provided below are responses to the audit recommendations specific to the Administration.

Recommendation # 2: Require travelers to provide written justification when exceeding the estimated travel costs noted on the Travel Request Form. (Priority 2)

The Administration agrees with this recommendation. Written justification when travel costs exceed a minimum dollar and/or percentage threshold will be included as a requirement in the forthcoming revisions to the City Employee Travel Policy scheduled for publication in the fall. Additionally, trainings will emphasize the importance of estimating more accurately the costs of travel and ensuring that improved estimates are reflected on Travel Request Forms.

Recommendation #4: Use a competitive process to identify an appropriate travel agency. (Priority 2)

The Administration agrees with this recommendation and will administer a competitive process if the Boards express a specific need to use a travel agency. However, initial assessment of the City's use of travel agencies to arrange travel accommodations showed that that these services are used on a very limited basis. The assessment showed that most departments arrange for travel accommodations through online services because this approach is less expensive and provides for "real time" information on availability and costs. However, if there is a unique benefit in using a travel agency, then the Finance Department will administer a competitive process to select a travel agency. Regardless, Retirement Services Department staff will receive a training that focuses on securing travel accommodations through online travel services.

Recommendation #8: Incorporate language into the City of San José Employee Travel Policy that requires written justification for last minute travel arrangements. (Priority 3)

The Administration agrees with this recommendation. Staff will modify the City's Travel Request and Statement of Travel Expenses forms to provide an explanation for the need to travel. In addition, appropriate language will be included in the forthcoming revisions to the City Employee Travel Policy requiring justifications, under limited criteria, for "last minute" travel arrangements.

Recommendation #9: Completely document its [Retirement Services Department] travel activity and improve the organization of its travel files. (Priority 2)

CITY AUDITOR

RE: Administration's Response to An Audit of Retirement Services' Travel Expenses

August 22, 2008

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The Administration agrees with this recommendation and acknowledges that it is specific to the maintenance of travel files at the Retirement Services Department. Over the past months, the Retirement Services Department implemented travel process and documentation improvements with an emphasis on complete recordkeeping. Additionally, the Retirement Services Department staff will receive a training that focuses on maintenance of travel documents and the associated required documentation.

Recommendation #10: Revise the San Jose Employee Travel Policy to require travelers to include event brochures and itineraries with their Travel Request Forms and Statements of Travel Expenses to help approving officials verify that expenses are related to the approved travel activities.

The Administration agrees with this recommendation. The modification will be included in the forthcoming revisions to the City Employee Travel Policy.

Recommendation #12: Provide training for RSD and City employees who process travel documents. (Priority 3)

The Administration agrees with this recommendation. The Finance Department will develop and conduct an initial training program for current City staff involved in the travel process and then initiate continuous training through the City's city-wide training program.

Recommendation #12: Require actual receipts, proof of payment, or, in unique circumstances, written explanations for missing receipts or proof of payment. (Priority 1)

The Administration agrees with this recommendation and appropriate language will be included in the forthcoming revisions to the City Employee Travel Policy.

Recommendation #13: Revise the San Jose Employee Travel Policy to require travelers to clearly disclose, itemize, and account for group expenses. (Priority 3)

The Administration concurs with this recommendation and will include this requirement in the forthcoming revisions to the City Employee Travel Policy.

Recommendation #14: Require Boardmembers and Staff to complete and sign their own Travel Request Forms and Statements of Travel Expenses

The Administration concurs with this recommendation and will include this requirement for employees in the forthcoming revisions to the City Employee Travel Policy.

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RE: Administration's Response to An Audit of Retirement Services' Travel Expenses

August 22, 2008

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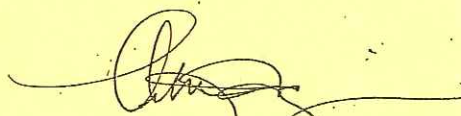
Recommendation #15: Add language to the Travel Request Form that requests signatories to verify that all expenses will be incurred for the purpose of City business. (Priority 1)

The Administration concurs with this recommendation and will update the form consistent with wording that is in the existing Statement of Travel Expenses form.

Recommendation #18: Complete and submit outstanding Statements of Economic Interest and consider the need to amend previously submitted Statements of Economic Interest. (Priority 1)

The Administration agrees with this recommendation. During completion of this Audit, the Retirement Services Department worked with the City Clerk's Office to ensure that all employees subject to submitting Statements of Economic Interest were in compliance and staff continues to coordinate with the City Clerk's Office to facilitate completion of one outstanding Statement of Economic Interest due from a Trustee.

The Audit has surfaced concerns with internal controls and other management/administrative functions where the Administration did not meet its desired standard. While we have already begun to amend the City's Employee Travel Policy, additional action will be taken to thoroughly address the above recommendations over the coming months. Additionally, the City Council may want to consider whether to incorporate related provision into the City Council's Travel Policy and consider whether to apply them to travel by Boards and Commissions as well. The Administration would like to thank the City Auditor's Office for conducting this audit.



Debra Figone
City Manager

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Policy Manual (6.1.2) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:


Priority Class¹	Description	Implementation Category	Implementation Action³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.

APPENDIX B

 CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES	Title PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: FEDERATED	Document No. 210.2-F	Page 1 of 5	
Reference: N/A	Approved by:	Date:	Revised: 03/08/2007	Function: Board

PURPOSE

To establish a policy that strongly encourages continuing education of Board members and staff and to establish policies and procedures regarding travel by members of the Board and staff.

SCOPE

This policy shall apply to members of the Board of Administration for the Federated City Employees' Retirement System. Staff shall be governed by the City Travel policy.


POLICY

1. **Education:** The continued growth and diversification of the retirement fund, as well as the complexity of the financial and investment arena in which the Board carries out its responsibilities, creates a need for both members and staff of the Board of Administration for Federated City Employees' Retirement System to have a working knowledge of a variety of disciplines. These subject areas include but are not limited to:

- Fiduciary responsibilities
- Actuarial Science
- Pension law
- Asset Allocation
- Real estate investing
- Equity and security investing
- International Investing

Although the Board contracts with experts for advice in these areas, it is necessary for Board members and staff to have sufficient knowledge to be able to understand concepts and terms presented to the Board by these experts. To this end, members of the Board and staff are **strongly** encouraged to attend a sufficient number of educational seminars/conferences per year to perform their fiduciary duties.

APPENDIX B

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	Title PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: FEDERATED	Document No. 210.2-F	Page 2 of 5
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2. **Travel:** Travel by Board members and staff while on official Board business is an appropriate activity and expense. Travel shall be limited to events from which the Federated City Employees' Retirement System derives specific benefits through attendance of a Board member or staff. Travel for International Conferences Shall be preauthorized by the Board. Travel when four or more Board Members are present shall be posted in the prescribed manner as dictated by the Brown Act. For this reason, all travel shall be arranged by the Secretary or the Secretary's designee.
3. **Expense Reimbursement:** Board members and staff may be authorized to undertake official travel and be reimbursed for all reasonable and necessary expenses incurred while traveling on Board business, subject to the provisions and guidelines prescribed in this policy.
4. **Donations of Educational Conferences/Travel:** Any donations of educational conferences, and similar events and benefits, including travel, meals and accommodations must be made to the Board of Administration for Federated City Employees' Retirement System and not directly to individual Board members or staff. The Board of Administration will determine whether to accept any donations, and any acceptance shall be by resolution. The Board will be solely responsible for the selection of the Board member or staff who will attend or otherwise participate on behalf of the Board of Administration.
5. **Travel Approval:** Travel by individual Board members or staff to attend education and training seminars will be approved pursuant to the Board of Administration's Policy & Procedures Manual Section No. 210-3-F. Travel shall be arranged by the Secretary or the Secretary's designee as long as the costs will not exceed the approved travel budget. If travel was not arranged by the Secretary or their designee, costs may not be reimbursed. Requests for travel where costs will exceed the approved travel budget must be submitted to the Board for approval prior to travel.
6. **Board Approved Conferences:** Recommended conferences for the upcoming year shall be presented to the Board each December for acceptance. The Board Chair may approve travel to conferences not on the list. Board members have rights of appeal to the full Board if travel is not approved. Board members may attend all listed conferences or seminars held in the state of California plus two listed conferences or seminars held elsewhere in the United States per calendar year without specific Board approval. All unlisted conferences must have prior approval from the Board Chair.

APPENDIX B

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	<p>Title</p> <p>PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: FEDERATED</p>	<p>Document No.</p> <p>210.2-F</p>	<p>Page</p> <p>3 of 5</p>
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7. **Travel Reports:** Board members and staff must provide an oral or written report to the Board after travel to an educational conference. If a report is not completed in a timely manner, it will be placed on the pending actions list until completion. The results of any due diligence travel will be reported out either orally or in written format at the committee level.

RESPONSIBILITY FOR ADMINISTRATION

The Secretary of the Board of Administration shall be responsible for advising the Board of upcoming educational opportunities. The Secretary or the Secretary's designee shall coordinate requests for reimbursement of Board travel-related expenses pursuant to the following procedures.

PROCEDURE

Responsibility

Activity

- | | |
|-------------------------------|---|
| Secretary | 1. Review and notify the Board of upcoming seminars, conferences, and other training events. Provide guidance to Board members in choosing education and training. Provide a schedule of conferences and seminars each December for Board acceptance. |
| Board Member /
Board Staff | 2. Submit application for education/training event to Secretary or designee. |
| Secretary | 3. The Secretary or designee shall coordinate travel arrangements and provide confirmation to Board member and staff. When traveling on official Board business by scheduled air carrier, use of the San Jose International Airport as the origin and destination point shall be encouraged, unless: <ul style="list-style-type: none"> (a) Scheduled air carrier service to or from the destination is not available from San Jose International Airport, or (b) There is more than a 1-1/2 hour scheduled layover at any intermediate airport before reaching the final destination from San Jose International Airport compared to flights arriving or departing from other Bay Area airports. |

APPENDIX B

 <p style="text-align: center;">CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	<p style="text-align: center;">Title</p> <p style="text-align: center;">PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: FEDERATED</p>	<p style="text-align: center;">Document No.</p> <p style="text-align: center;">210.2-F</p>	<p style="text-align: center;">Page</p> <p style="text-align: center;">4 of 5</p>
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Board Member /
Board Staff

4. Submit to Secretary or designee a Statement of Travel Expenses (Form 100-5) within 12 working days of return. The Board and staff shall use the standard CONUS (Continental United States) per diem rate established by the United States General Services Administration for meals and incidental expenses unless traveling to a non-standard area. If the travel destination is to a non-standard area, the per diem rate for meals and incidental expense for that area is to be used. The Domestic Per Diem Rates Schedule (<http://www.gsa.gov/>) shall be used to determine if a travel destination is listed as a non-standard area and to determine the appropriate per diem rate. Board members and staff may be reimbursed for approved expenses incurred beyond the per diem rate when supported by itemized receipts. For travel. For international travel, the Board and staff shall use the Foreign per diem rates OCONUS (Outside Continental United States) also found at the above website.

Generally, reimbursement for hotel rooms shall be limited to single-room accommodations.

Travel expenses not generally considered reasonable and necessary shall not be reimbursable. These include, but are not limited to: (1) Fines for traffic violations; (2) Dry cleaning and laundry expenses; (3) Non-business transportation expenses; (4) Expenses for spouses/domestic partners, other family members or unauthorized guests; (5) personal phone calls up to \$10 per day with proper documentation (i.e. hotel statement showing phone usage); (6) Entertainment expenses, unless the entertainment provides a specific benefit to the Federated Employees' Retirement System.

APPENDIX B

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	<p>Title</p> <p align="center">PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: FEDERATED</p>	<p>Document No.</p> <p align="center">210.2-F</p>	<p>Page</p> <p align="center">5 of 5</p>
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Board Member /
Board Staff

5. Submit to Secretary or designee a report on conference or due diligence trip for the Board agenda and packet.


Secretary

6. The Secretary is authorized to approve requests for reimbursement of all reasonable and necessary travel expenses.

The Secretary or designee shall then submit "Statement of Travel Expenses" and receipts through appropriate channels within 5 business days after receipt from Board member or staff.

The Secretary or designee shall notify Board member and staff when reimbursement check is available.

APPENDIX C

 CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES	Title TRAVEL AND GIFTS: FEDERATED	Document No. 210.3-F	Page 1 of 3	
Reference: N/A	Approved by:	Date:	Revised: 08/09/2007	Function: Board

PURPOSE

The growth and diversification of the Retirement Fund has caused the Federated City Employees' Retirement System to represent an attractive source of business for providers of financial and investment services. Although procedures exist to solicit cost effective proposals for services and products and to ensure objective evaluation of such proposals, the analysis of financial and investment services and products often contains a subjective element. For this reason, sales efforts are often directed toward building personal relationships with Board members. These efforts are often assisted through invitations to seminars, conferences, dinners, trips and other social activities which are largely superfluous to the business relationship.

The fiduciary obligation of Board members requires that Board members administer the Retirement Fund for the exclusive benefit of System participants and their beneficiaries. It is the desire of the Board that sales efforts of providers of financial and investment services and products be conducted such that these efforts do not detract from the Board's fiduciary obligation and do not give the appearance of impropriety.

It is in the best interests of the Fund for Board members to be educated to a variety of investment vehicles, and vendors thereof. However, Board members should never imply to vendors that they represent any official Board position or promise. All vendors should be vetted by the Board's Investment Consultant and Staff. After review by the Board's Staff and their consultant, the vendor should be presented to the Investment Committee for evaluation.

POLICY

This policy shall apply to active members of the Board of Administration for the Federated City Employees' Retirement Plan with respect to attendance at seminars, conferences, dinners and other similar events and with respect to the acceptance of gifts from providers of financial and investment services and products.

- A. **Travel:** Board members shall attend seminars and conferences on Board business only where the costs of attendance are:
1. Paid by the Retirement Fund; or
 2. Paid by the Board member; or

APPENDIX C

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	Title TRAVEL AND GIFTS: FEDERATED	Document No. 210.3-F	Page 2 of 3
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3. Donated to the City of San Jose or to the Federated City Employees' Retirement Plan under the following circumstances:
 - a) The City or the Board receives and controls the payment;
 - b) The payment is used for official Board business;
 - c) The City or the Board, in its sole discretion, determines the specific member or members who shall use the payment and the donor does not designate the specific member or members; and
 - d) Before the travel is undertaken, the City Council or the Board memorializes the payment in a written public record which embodies a) through c) above and which:
 - Identifies the donor and the persons using the payment;
 - Describes the official Board use and the nature and amount after payment; and
 - Is filed with the City Clerk or the Secretary to the Board within thirty days of the receipt of the payment.

For the purposes of this policy, costs of attendance include travel accommodations, meals, entertainment, and tuition or fees for the seminar or conference.

Exception: This Section A does not apply to seminars or conferences sponsored by an organization of which the Board is a member where the seminar or conference is offered to all members of such organization and the costs are considered part of the dues paid for organization membership. However, expenses for travel, accommodations and entertainment are not included in this exception.

Exception: This Section A does not apply to expenses for meals where the meal is provided in a business or social setting related to the seminar or conference.

- B) Gifts: Board members shall not accept gifts from providers of financial or investment services or products except gifts which strictly fall within the following exceptions:

1. Token gifts which have a value of no more than \$50.00, as long as the


APPENDIX C

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	Title TRAVEL AND GIFTS: FEDERATED	Document No. 210.3-F	Page 3 of 3
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total value of all such token gifts received from any one donor does not exceed \$50.00 in any calendar year.

2. Informational material such as books, reports, pamphlets, calendars or periodicals.
 3. Gifts of hospitality involving food, beverages or lodging provided by an individual in such individual's primary residence.
 4. Flowers, plants or balloons which are given on ceremonial occasions, to express condolences or congratulations, or to commemorate special occasions.
 5. Meals and beverages provided in a business or social setting.
 6. Gifts which are not used and, within thirty days of receipt, are returned to the donor or delivered to a charitable organization without being claimed as a charitable contribution for tax purposes.
 7. Gifts which are treated as and remain the property of the City of San Jose or of the Federated City Employees Retirement System
- C) Reporting: Nothing in this policy shall be deemed to relieve any member of the Board of Administration from reporting the value of any gift received as required by state or local law.

APPENDIX D

 CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES	Title PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: POLICE AND FIRE	Document No. 210.2-P&F	Page 1 of 4	
Reference: N/A	Approved by:	Date:	Revised: 03/06/2008	Function: Board

PURPOSE

To establish a policy that strongly encourages continuing education of Board members and to establish policies and procedures regarding travel by members of the Board.

SCOPE

This policy shall apply to members of the Board of Administration for Police and Fire Department Retirement Plan.

POLICY


1. **Education:** The continued growth and diversification of the retirement fund, as well as the complexity of the financial and investment arena in which the Board carries out its responsibilities, creates a need for members of the Board of Administration for Police & Fire Department Retirement Plan to have a working knowledge of a variety of disciplines. These subject areas include but are not limited to:

- Fiduciary responsibilities
- Actuarial Science
- Pension law
- Asset Allocation
- Real estate investing
- Equity and security investing
- International Investing

Although the Board contracts with experts for advice in these areas, it is necessary for Board members to have sufficient knowledge to be able to understand concepts and terms presented to the Board by these experts. To this end, members of the Board are **strongly** encouraged to attend one or two educational seminars/conferences per year.

2. **Travel:** Travel by Board members while on official Board business is an appropriate activity and expense. Travel shall be limited to events from which the Police and Fire Retirement Plan derives specific benefits through attendance of a Board member.

APPENDIX D

 CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES	Title PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: POLICE AND FIRE	Document No. 210.2-P&F	Page 2 of 4
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3. **Expense Reimbursement:** Board members may be authorized to undertake official travel and be reimbursed for all reasonable and necessary expenses incurred while traveling on Board business, subject to the provisions and guidelines prescribed in this policy.

4. **Donations of Educational Conferences/Travel:** Any donations of educational conferences, and similar events and benefits, including travel, meals and accommodations must be made to the Board of Administration for Police and Fire Retirement Plan and not directly to individual Board members. The Board of Administration will determine whether or not to accept any donations, and any acceptance shall be by resolution. The Board will be solely responsible for the selection of the Board member or other individual who will attend or otherwise participate on behalf of the Board of Administration.

5. **Travel Approval:** Travel expenditures will be approved during the annual budget process. Travel by individual Board members will be arranged by the Secretary or the Secretary's designee as long as the costs will not exceed the approved travel budget. Requests for travel where costs will exceed the approved travel budget must be submitted to the Board for approval.

RESPONSIBILITY FOR ADMINISTRATION

The Secretary of the Board of Administration shall be responsible for advising the Board of upcoming educational opportunities. The Secretary or the Secretary's designee shall coordinate requests for reimbursement of Board travel-related expenses pursuant to the following procedures.

PROCEDURE

Responsibility

Activity

- | | |
|--------------|---|
| Secretary | <ol style="list-style-type: none"> 1. Review and notify the Board of upcoming seminars, conferences, and other training events.
 Provide guidance to Board members in choosing education and training. |
| Board Member | <ol style="list-style-type: none"> 2. Submit application for education/training event to Secretary or designee. |
| Secretary | <ol style="list-style-type: none"> 3. The Secretary or designee shall coordinate travel arrangements and provide confirmation to Board member. When traveling on |

APPENDIX D

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	<p>Title</p> <p>PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: POLICE AND FIRE</p>	<p>Document No.</p> <p>210.2-P&F</p>	<p>Page</p> <p>3 of 4</p>
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official Board business by scheduled air carrier, use of the San Jose International Airport as the origin and destination point whenever reasonable and practicable, unless:

- (a) Scheduled air carrier service to or from the destination is not available from San Jose International Airport, or
- (b) There is more than a 1-1/2 hour scheduled layover at any intermediate airport before reaching the final destination from San Jose International Airport compared to flights arriving or departing from other Bay Area airports.

- Board Member
4. Submit to Secretary or designee a Statement of Travel Expenses (Form 100-5) within 10 working days of return. In this statement, Board members must either claim the per diem allowance as established in the United States General Services Administration (GSA) Continental United States (CONUS) rates without prorating First and Last day when traveling within the United States or \$64.00 per day without prorating First and Last day when traveling outside of the United States **or** provide itemized receipts for all meal expenses incurred while traveling. In addition, receipts for the following expenses must be included: (1) Transportation (public carrier); (2) Hotel; (3) Registration; (4) Child Care; (5) Other reasonable and necessary expenses (e.g. car rental or other ground transportation when necessary).

Generally, reimbursement for hotel rooms shall be limited to single-room accommodations.

Travel expenses not generally considered reasonable and necessary shall not be reimbursable. These include, but are not limited to: (1) Fines for traffic violations; (2) Dry cleaning and laundry expenses; (3) Non-business transportation expenses; (4) Expenses for spouses/domestic partner, other family members or unauthorized guests; (5) Non-business-related telephone calls; (6) Entertainment expenses, unless the entertainment provides a specific benefit to the Police and Fire Retirement Plan.

- Secretary
5. The Secretary is authorized to approve requests for reimbursement of all reasonable and necessary travel expenses.

The Secretary or designee shall then submit "Statement of

APPENDIX D

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY DEPARTMENT OF RETIREMENT SERVICES</p>	<p>Title</p> <p>PROCEDURE FOR EDUCATION AND TRAVEL GUIDELINES: POLICE AND FIRE</p>	<p>Document No.</p> <p>210.2-P&F</p>	<p>Page</p> <p>4 of 4</p>
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Travel Expenses" and receipts through appropriate channels within 5 business days after receipt from Board member.

The Secretary or designee shall notify Board member when reimbursement check is available.

APPENDIX E

Employee Travel

Section 1.8.2

1. PURPOSE

To provide guidelines for authorization of travel and payment of travel expenses for City of San Jose employees.

1.1 Definition

For purposes of this chapter, **employee** is defined to include any full-time or part-time official or employee of:

- 1.1.1 The City of San Jose (excluding City Council members, Council Appointees, members of the Federated Retirement Board, Police and Fire Retirement Board). This Policy shall also apply to employees appointed by Council Appointees other than the City Manager. Council Appointees shall have the responsibility to approve travel for such employees in accordance with the guidelines in this Policy.
- 1.1.2 Authorization for travel is limited to conferences, trainings, conventions, and other functions from which the City derives a specific benefit through attendance by the employee. Only that travel which serves a municipal purpose and is necessary and advantageous to the City of San Jose is to be approved.
- 1.1.3 Any agency which exists as an official City entity and which is administered by the City as result of Council Action.
- 1.1.4 Any other agency which is duly authorized to act for or on behalf of the City of San Jose for specified periods of time, but only for or during such specified time periods.

2. GENERAL POLICY

- 2.1 Department Directors shall be responsible for all travel expenses and shall exercise due diligence to ensure that these expenses are necessary for the conduct of City business, and are within budgetary limits.
- 2.2 Employees shall be reimbursed for the most direct route of travel, coach airfare, and/or the lowest cost for all other modes of transportation.
- 2.3 Employees shall be reimbursed for the single room rate lodging unless lodging is shared by another City employee. If the room is shared by another City employee, the City's reimbursement rate shall be based on the rate charged for the number of employees occupying the room. The City will not reimburse an employee for additional room charges resulting from a non-City employee sharing a room with a City employee.
- 2.4 Any additional costs resulting from an employee taking a companion on City travel, shall not be reimbursed or paid by the City.

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Employee Travel

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3. ENVIRONMENTALLY PREFERABLE TRAVEL REQUIREMENTS

City employees should attempt to reduce the environmental impact of their travel. Transportation should be by common carrier whenever appropriate; City, personal or rental vehicles should be the most fuel efficient and lowest emission models available that are suitable for the purpose (employees with assigned vehicles, especially trucks, should look for alternatives for anything but the shortest trips); City employees should carpool with others attending the same event and should consider the use of taxis rather than rental cars. Lodging should be evaluated to minimize unnecessary travel at the destination and to reduce the impacts of the lodging itself. Before completing a Travel Request, employees should visit the City's Environmentally Preferable Procurement site at <http://www.sanjoseca.gov/esd/natural-energy-resources/epp-citywide.htm> to review updated travel recommendations and requirements. Before selecting a hotel, employees should determine whether a "green hotel" would be suitable. While at the hotel or any conference site, employees should comply with any voluntary conservation practices. When traveling by automobile, employees should confirm that their tires are properly inflated to the recommended pressure and observe the posted speed limits to conserve gasoline.

4. DEFINITIONS OF TRAVEL

Local Travel:	Travel within the State of California and within sixty (60) miles from City Hall that does not require airfare and/or an overnight stay.
In-State Travel:	Travel within the State of California that is beyond sixty (60) miles from City Hall and/or requires airfare and/or an overnight stay.
Out-of-State Travel:	Any travel outside of the State of California or international travel.
Emergency Travel:	Travel by Police Department personnel in-state or out-of-state which must be undertaken on such short notice that normal travel processing in accordance with this section is not possible.

5. RESPONSIBILITY FOR APPROVAL OF TRAVEL

5.1 Local Travel

Department Directors are responsible for approving local travel provided budgetary funds are available for such travel. If there are any expenses incurred or expected beyond mileage reimbursement, a completed Travel Request Form shall be submitted to the Department Director to facilitate timely processing of travel advances and or related expenses through the Finance Department.

5.2 In-State Travel

Department Directors are responsible for approving In-State Travel. A completed Travel Request Form shall be submitted to the Department Director and the Finance Department at least two weeks prior to the deadline for any refunds, credits on reservations or other related expenses.

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5.3 Out-of-State Travel

Department Directors are responsible for recommending Out-of-State travel and approving the Travel Request for the related expenses for the employee. The City Manager/designee, or Council Appointee/designee will approve all Out-of-State travel, including travel that is funded by non-City organizations or agencies. The exception is "Emergency Travel" by Police Department personnel, see section 5.4 below.

A completed Travel Request Form shall be submitted to the City Manager's Office at least two weeks prior to the deadline for processing any refunds or credits on reservations.

For Out-of-State and/or international travel, no more than three (3) employees per department may travel to the same destination for the same purpose without prior approval of the City Manager.

5.4 Emergency Travel

The Chief of Police or his duly authorized representative may authorize emergency in-state or out-of-state travel by Police Department personnel in the following cases:

5.4.1 For lawful extradition of felons wanted by the City of San Jose where immediate departure by authorized City personnel is required.

5.4.2 For investigative travel, where such travel requires immediate departure by authorized Police Department personnel.

6. GENERAL CONDITIONS

6.1 Travel Time

For non-exempt (hourly) employees, required travel time on workdays during normal working hours will be counted as time worked. Generally, travel time on City business is limited to the actual dates of a function plus reasonable travel time not to exceed a maximum of twenty-four (24) hours before and/or after the function. Reasonableness will be determined by the Director of Finance.

No overtime will be provided for travel time, other than that mandated by the Federal Fair Labor Standards Act ("FLSA") requirements and/or approved Memorandums of Understanding / Agreement (MOA). Departments must be aware of the FLSA and MOA requirements when arranging for all employee travel for non-exempt (hourly) employees. Travel related overtime in connection with travel on City business when required above, requires authorization from the Department Director as part of the Travel Request. Please contact the Office of Employee Relations for further information regarding these requirements.

In no event shall the City pay for any additional costs related to the extension of stay. Upon prior approval by the Department Director, the duration of the stay may be extended beyond what is required for business purposes. Such time must be charged to an available leave balance such as vacation, executive leave, personal leave, or compensatory time for the individual employee. If the extended stay requires the use of the employee's leave balances, the usage of these leave balances must be pre-approved by the employee's supervisor.

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6.2 Travel Expenses

Where two or more employees are authorized to attend the same event and ground transportation is to be utilized during any portion of travel, the department shall coordinate travel arrangements to maximize the use of such ground transportation by the employees involved in order to minimize the expense to the City. Refusal by employees involved to coordinate travel arrangements may be the basis for non-payment of transportation reimbursement. Payment for the use of any particular mode of transportation is determined by the Director of Finance based on the least total cost to the City.

Payment for travel expenses is limited as follows:

6.2.1 Private Vehicle

- 6.2.1.1 When an employee uses their private vehicle for transportation to and from a point of destination, payment is at the City's mileage reimbursement rate. (See [City Policy Manual section 1.8.3, Private Vehicle Mileage Reimbursement Policy](#))
- 6.2.1.2 When an employee uses their private vehicle for transportation to and from scheduled carrier services (airport, etc.) or for intra-City transportation, payment is at the City mileage reimbursement rate. (See [City Policy Manual section 1.8.3, Private Vehicle Mileage Reimbursement Policy](#))
- 6.2.1.3 When, for personal reasons, an employee elects to travel by private vehicle to and from a point of destination rather than flying, the employee will be reimbursed for the least expensive mode of transportation. Employees shall provide documentation for the lowest cost of public transportation along with the Travel Request. In addition, parking and taxis may be reimbursed if these expenses would have been provided as reimbursements if the employee had used public transportation and the expenses would be reimbursed in other sections of this policy.

6.2.2 Scheduled Carrier Service

Employees shall fly coach class on the lowest cost flight(s) available. Any additional cost incurred for deviation from the most direct route will not be reimbursed unless incurred for the benefit of the City, as determined by the Director of Finance. The City will pay only the most direct route necessary to accomplish the purpose of the City travel. Any additional costs because of a route change for the convenience of the employee will be paid by the employee. Employees that choose to use their personal frequent flyer miles for City business shall not be reimbursed for the value of the tickets.

6.2.3 All Other Modes of Transportation

Employees shall choose the lowest cost for all other modes of transportation.

6.2.4 Rental Cars

Rental cars are only allowed for business reasons (i.e.: travel to and from a hotel and a conference) and with prior approval by the Department Director and/or the City Manager/designee, or Council Appointee/designee. If a rental car is approved, it is the employee's responsibility to reduce the total cost of car rental by reducing optional costs

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Employee Travel

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related to appropriate size for number of employees using the car, other vehicle options, and re-fueling the rental car prior to returning the rental car, if additional charges will apply for re-fueling.

6.2.5 Meals Provided at Event

When meals are provided as part of the cost of an event, employees will not be reimbursed per diem or for actual expenses for the same meals. In exceptional cases, where the employees can justify a legitimate business reason to not partake of the provided meal, the employee may submit written justification as to why he or she should be reimbursed for the cost of a separate meal. The Director of Finance shall decide if reimbursement is appropriate on a case by case basis.

6.2.6 Incidental Expenses

Incidental expenses include reasonable fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries, transportation between places of lodging or business and places where meals are taken if suitable meals cannot be obtained at the temporary duty site, and mailing costs associated with filing travel vouchers. Itemized receipts are not required to be submitted when using the applicable per diem rate for reimbursement of meals and incidental expenses.

Reimbursement requests for actual incidental expenses require an itemized list of the incidental expenses. The request for reimbursement of incidental expenses must include a listing of the date, type of expense, and expense amount. The maximum amount of reimbursement shall be 150% of the standard CONUS (Continental United States) per diem rate for Incidentals, established by the United States General Services Administration. Please refer to Section 7.1.3.

6.2.7 Personal Phone Calls

The City will reimburse employees for personal phone calls up to \$10 per day with proper documentation (i.e. hotel statement showing phone usage).

6.2.8 Parking

Actual costs will be reimbursed when supported by itemized receipts. Staff should use lowest cost alternative for parking within a reasonable area from destination.

6.2.9 Alcoholic Beverages

Under no circumstances will expenses for alcoholic beverages be reimbursed by the City except as specified below.

6.2.9.1 Reimbursement or Expenditures for Alcoholic Beverages Exceptions

Purchases of alcoholic beverages may be expended or reimbursed for very limited economic development functions and events only with the prior approval of the City Manager. A Department or Office Director requesting an expenditure or reimbursement for the purchase of alcoholic beverages for a City sponsored event shall send a memorandum to the City Manager, prior to the purchase of any alcoholic beverages, explaining why the purchase of said beverages is appropriate

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and necessary for a specific event. Payment for expenditures or reimbursement for the purchase of alcoholic beverages will not be made without prior written approval from the City Manager.

Notwithstanding these exceptions, all City employees must comply with the Substance Abuse Program & Policy (City Policy Manual Section 1.4.2 or as included in the applicable MOA) and the Alcohol Use at City Facilities Policy (City Policy Manual Section 1.4.4).

6.2.10 Personal Expenses

Personal expenses such as in-room movies or other entertainment costs such as games, etc are not eligible for reimbursement.

6.2.11 Excess Baggage Charges

Excess baggage charges are generally not eligible for reimbursement. A valid business related justification must be provided for these charges with a valid airline receipt for the excess baggage charge for the day of employee travel.

6.2.12 Laundry and Dry Cleaning

Laundry services and Dry Cleaning are generally not eligible for reimbursement. In rare circumstances of an extended business trip over 7 calendar days and where the employee is required to conduct City business in excess of 5 days, reasonable laundry expenses may be reimbursed for necessary business wear. If the business trip extends over 7 days, due to personal extension (see section 6.1) no laundry services or dry cleaning expenses will be reimbursed. The Director of Finance or designee shall decide if reimbursement is appropriate on a case by case basis.

6.3 Cash Advances

If a cash advance is required, fill out the cash advance portion of the Travel Request Form and submit to the Finance Department at least fourteen (14) days prior to departure. Cash advances will be included in the employee's paycheck prior to departure date when the Travel Request Form is submitted to the Finance Department at least fourteen (14) days in advance of travel. Cash advances will not be provided if the Travel Request Form is submitted less than fourteen (14) days in advance of travel. Petty Cash may not be used to advance funds for travel.

Requesting and receiving a cash advance provides the City authorization to deduct the amount of the advance from the employee's wages if a Statement of Travel Expenses is not received by the Finance Department within fourteen (14) days of return.

If the advance is less than actual expenses, submit the approved Statement of Travel Expenses to the Finance Department for reimbursement within 14 days of return from travel. Reimbursement will be included in the employee's next paycheck after verification and processing by the Finance Department.

If the advance exceeds the actual expenses, submit the Statement of Travel Expenses to the Finance Department within fourteen (14) days of return from travel. The amount owed will be

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automatically deducted from the employee's next paycheck after verification and processing by the Finance Department.

6.4 Mandatory Use of Norman Y. Mineta San Jose International Airport

Employees traveling on City business by scheduled air carrier are required to use Norman Y. Mineta San Jose International Airport as the point of departure and return unless:

- 6.4.1 Scheduled air carrier service to or from the destination is not available from Norman Y. Mineta San Jose International Airport.
- 6.4.2 There is more than a 1-1/2 hour scheduled layover at any intermediate airport before reaching the final destination from flights arriving or departing from Norman Y. Mineta San Jose International Airport compared to flights arriving or departing from other Bay Area airports.
- 6.4.3 The total cost of travel to or from Norman Y. Mineta San Jose International Airport exceeds the cost of travel to or from an alternative airport. In determining whether to approve the use of an alternate airport, consideration should be given to all costs associated with travel to and from such airport.
- 6.4.4 If for City business reasons, an employee is not in San Jose and is closer to an alternate airport.

Should an employee not use Norman Y. Mineta San Jose International Airport for one of the exemptions stated above, they shall submit a written explanation to the Finance Department along with their Statement of Travel Expenses, indicating the specific exemption for using an alternate airport.

7. REIMBURSEMENT AND DOCUMENTATION

7.1 Statement of Travel Expenses

A completed Statement of Travel Expenses must accompany claims for travel expenses whether or not an amount is owed to the employee. The Statement of Travel Expenses must account for all expenses, including City paid, prepaid amounts and / or credit card transactions, (e.g., airfare, registration). All City Procurement Card (Credit Card) purchase transactions must follow the City's Procurement Card Policy.

If a cash advance has been issued to staff on a Travel Request, a Statement of Travel Expenses must be filed. All Statement of Travel Expenses required under this policy must be submitted to the Finance Department **within 14 calendar days after returning from travel**.

- 7.1.1 Employees may be reimbursed for meals and incidentals on a per diem basis(excluding Local Travel) or by submitting itemized receipts. An employee's choice to be reimbursed by per diem or for actual expenses by submitting itemized receipts will apply to the entire trip and cannot vary from day-to-day.

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7.1.2 The Director of Finance shall have the responsibility to determine the appropriateness and reasonableness of all reimbursement expenses and may review questionable, unusual or extraordinary expenses with the City Manager or designee to seek final approval.

7.1.3 All expenses other than Per Diem and Incidentals must be supported by itemized receipts, regardless of the payment method.

7.2 Amounts Owed to Employee or City

If an amount is owed to the employee, the amount must be noted on the Statement of Travel Expenses which must be submitted to the Finance Department within 14 days of return from travel. Upon verification and processing by the Finance Department, any amount owed to the employee will be reimbursed on the employee's next pay check.

If an amount is owed to the City, submit the Statement of Travel Expenses to the Finance Department within 14 days of return from travel. The amount owed will be automatically deducted from the employee's next paycheck after verification and processing by the Finance Department.

7.3 Meals and Incidental Expenses

7.3.1 Per Diem

The per diem allowance applies only to meals **and** incidental expenses. Incidental expenses are defined in section 6.2.6 above. If an employee submits meal and incidental expenses on a per diem basis, no receipts are required. An employee can only be reimbursed beyond the applicable per diem rate for parking fees and personal phone calls as specified in this policy.

The City shall use the standard CONUS (Continental United States) per diem rate established by the United States General Services Administration for meals and incidental expenses unless traveling to a non-standard area (the standard CONUS per diem rate is \$39 as of June 2, 2006). If the travel destination is to a non-standard area, the per diem rate for meals and incidental expense for that area is to be used. The [Domestic Per Diem Rates Schedule](http://www.gsa.gov/) (<http://www.gsa.gov/>) shall be used to determine if a travel destination is listed as a non-standard area and to determine the appropriate per diem rate. Employees may be reimbursed for approved expenses incurred beyond the per diem rate when supported by itemized receipts.

To determine if a travel destination is in a standard or non-standard area, click on the Domestic Per Diem Rates Schedule above. Select the state that your travel destination is in, and then scroll down to find your destination. If your destination is listed, it is considered a non-standard area, and the rate listed in the M&IE Rate column is to be used. If your destination is not listed, it is considered a standard area, and the standard CONUS per-diem rate is to be used.

7.3.2 Prorating Per Diem

The per diem allowance shall be prorated in accordance with established federal guidelines. On the first and last day of travel, an employee is allowed 75% of the applicable per diem.

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7.3.3 Local Travel

Employees traveling locally may not request per diem reimbursement for meals and incidentals. For this trip category, only reasonable meal and parking expenses shall be reimbursed at actual cost when supported by itemized receipts. Upon verification and processing by the Finance Department, any amount owed to the employee will be reimbursed on the employee's next pay check.

7.3.4 Reimbursement for Actual Expenses

Actual costs for meals shall be reimbursed when supported by itemized receipts up to 150% of the applicable Per Diem rate for Meals. Actual cost of incidental expenses shall be reimbursed when supported by itemized list up to 150% of the applicable Per Diem rate for Incidentals.

7.4 Travel Forms

The Travel Request Form and Statement of Travel Expenses Form are available on the [Finance Department's intranet site](#).

TRAVEL REQUEST FORM PROCEDURES ([FORM 100-9](#))

Description: Click the link above for the Travel Request Form. This form is used for the approval of the following categories of City travel by employees: Local Travel, In-state Travel and Out-of-state. If the employee needs an "Advance" for travel expenses, the request must also be made on this form and approved. An approval must be obtained prior to travel. For specific level of approval required, please see Section 6.0 of the Employee Travel policy.

RESPONSIBILITY	ACTION
Requestor	<ol style="list-style-type: none">1. Prepare and sign "Travel Request" (Form 100-9) indicating whether or not an advance of funds is required.2. Forward to Department Director for approval.
Department Director	<ol style="list-style-type: none">3. Review appropriateness of travel and sign request if approved.
Department Travel Coordinator	<ol style="list-style-type: none">4. <ol style="list-style-type: none">a. For in-state travel: Proceed to Step 7.b. For out-of-state travel: Forward to City Manager.
City Manager (If applicable)	<ol style="list-style-type: none">5. Approve or deny request.6. Return approved Travel Request Form to Department Director.
Department Travel Coordinator	<ol style="list-style-type: none">7. Forward original Travel Request Form to the Finance Department – Accounts Payable, Attn: Travel

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8. Retain and file a copy of the Travel Request Form for departmental records.
9. Return a copy of the Travel Request Form to the requestor.
10. Attach a copy of the approved Travel Request Form to all advance payments documents related to travel, i.e. registration, airfare, and credit card statements.
- Finance 11. Review Travel Request Form for authorization, allowable expenses and proper documentation.
12. Log all travel advances in the travel advance tracking system.
13. Forward Travel Request Form to Payroll for processing.

STATEMENT OF TRAVEL EXPENSES FORM PROCEDURES ([FORM 100-6](#))

Click the link above for the Statement of Travel Expenses Form.

All Statement of Travel Expenses must be submitted to the Finance Department within 14 calendar days after returning from travel.

RESPONSIBILITY	ACTION
Requestor	<ol style="list-style-type: none">1. Prepare and sign "Statement of Travel Expenses Form" (Form 100-6) Attach all receipts and documentation pertaining to travel.2. Forward to department Director for approval.
Employee	<ol style="list-style-type: none">3. Attach original Statement of Travel Expenses and all supporting documentation to a copy of the Travel Request Form and forward to Finance/Accounts Payable, Attn: Travel Desk.
Department Director	<ol style="list-style-type: none">4. Approved Statement of Travel Expense Form and associated expenses with signature on completed form.
Finance / Disbursements	<ol style="list-style-type: none">5. Review Statement of Travel Expenses for authorization, allowable expenses and proper documentation in compliance with Travel Policy Section 7.1.2.6. Reconcile all travel advances to the travel advance tracking system.

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7. Forward Statement of Travel Expenses to Payroll for processing.
8. Any questionable expense or exceptions to the City's Travel Policy will be reviewed by the Director of Finance to determine the appropriateness and reasonableness of the expenses. Approval may be contingent upon the Director of Finance's review of questionable, unusual or extraordinary expenses with the City Manager or designee to seek final approval

Approved:

/s/ Kay Winer
Deputy City Manager

July 31, 2006
Date

APPENDIX F

KEY CONCEPTS IN TRAVEL POLICIES

Some key concepts covered by the other policies that are excluded or unclear in the Retirement Boards' Policies

City of San José Employee Travel Policy
Employees shall fly coach class on the lowest cost flight available
Employees shall choose the lowest cost for all other modes of transportation
Rental cars are only allowed for business (to and from a hotel and conference)
Employees are responsible for reducing rental costs
When meals are provided at an event, employees will not be eligible for per diem
Maximum amount reimbursable for incidental and meals is 150% of CONUS standard
Alcoholic beverages expenses are not allowed
All expenses other than per diem and incidentals must be supported by itemized receipts
Prorate per diem allowance for the first and last day of travel (75%)
Local travel is not eligible for a per diem
Los Angeles City Employees' Retirement System Education & Travel Policy
Requires new trustees to participate in an orientation program
Restricts that no more than 2 boardmembers will attend a single event
Recognizes that travelers need to travel in a cost-effective manner, minimizing costs wherever possible
Head of the department certifies the expenses incurred were for official business
Requires a report back to the board
Requires an end of year travel activity summary report
Adopts the travel policy of the Controller's Office with few exceptions
Falsification of documents will be grounds for appropriate disciplinary action
City of Fresno Retirement Systems Continuing Education and Due Diligence Visitations Policy
Restricts that no more than 2 boardmembers will meet for business purposes without appropriate public notice
Does not allow per diems if meals are provided
Consider conference start date the first day that significant content is covered
Notes that boardmembers are responsible for complying with the Political Reform Act
City of Compton Expense and Reimbursement Policy
Clearly lists items that the City will not reimburse
Emphasizes the need to seek the most economical mode of transportation
Reservations should be made at least 14 days in advance
Rental vehicles should be justified with a business reason or economic benefit to support rental
Lodging expenses should not exceed the group or conference rate
Travelers should seek government rates
Requires ethics training
Lists consequences for violating the policy
City of Gatlinburg Travel Policy
Adjusts mileage reimbursement to account for what one would normally travel to work
Notes that whenever possible, employees should refuel before returning rental vehicles
Lodging expenses are restricted to those established in CONUS
California State Teachers' Retirement System Proposed Travel Expense Policy
Emphasizes that only reasonable and necessary expenses should be incurred
Discloses that all boardmembers and staff are subject to the disclosure and reporting requirements of the System's Conflict of Interest Code and Fair Political Practices Commission regulations
No per diem allowed when third parties provide meals