



# Travel Expense Review CY 2017-2019

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# Executive Summary

At the March 2020 Audit/Compliance Committee meeting, a review of the travel expenses incurred for all PSERS staff and Board of Trustees for calendar years 2017-2019 was requested.

## Purpose:

The objective of the review was to ensure PSERS staff are complying with the Gift Ban Policy, adhering to Commonwealth travel guidelines, and to determine who contractually was paying for travel costs for PSERS staff and Board trustees.

## Background:

Currently, the travel expenses for PSERS staff and the Board of Trustees can be reimbursed by

1. the Commonwealth of Pennsylvania (the System)
2. paid by the System first and then reimbursed by a third party
3. paid directly by a third party according to contract.

A news article was published in December 2019, calling into question the transparency of the expenses being paid by third parties.

# Executive Summary

## Scope:

Internal Audit Office reviewed the travel expenses for the period of January 1, 2017 through December 31, 2019 to determine if there were any violations to Commonwealth policies and guidelines as well as PSERS policies in effect at the time.

### **Resolution 2020-26, Re: Travel Policy, August 7, 2020**

<https://www.psers.pa.gov/About/Board/Resolutions/Pages/2020-Board-Meeting-Resolutions.aspx>

## Excerpt:

- RESOLVED, all travel expenses incurred by Trustees, the Executive Director, the Chief Investment Officer and designated investment staff of the Fund shall be publicly disclosed and reported to all members of the Board of Trustees quarterly. The quarterly travel disclosure report shall include, at a minimum, the full name of the person traveling, the approved purpose of the travel, the dates of travel, the locations of travel, a description of the travel, including identification of any investment or fund managers, partnership, consultants, investment properties visited or investment operations reviewed. The quarterly travel disclosure report shall also include a detailed account of all individual expenses incurred in excess of fifty dollars (\$50) and the source or sources of payment or reimbursement of any such expenses, including any such payment or reimbursement by any investment fund, manager, management company, partnership, consultant or sponsoring association, trade group other profit or non-profit entity, without regard as to whether or not the incurring of the expense, or the payment or reimbursement, is made directly by or to the traveler or the System if not otherwise paid by the System without reimbursement from another source.
- RESOLVED, that the System shall prepare a report to be submitted to the members of the Audit Committee of the Board providing the information specified in the paragraph above for travel expenses incurred by the Executive Director, the Chief Investor Officer, and investment staff of the System, for the period of calendar years 2017-2019, not later than the December 4, 2020 Board Meeting.

# Executive Summary

## Results:

- No violations were found as part of the review. Improvements to the travel approval and reimbursement processes have been identified.
- Internal Audit Office presented the CY 2019 travel report to the Audit/Compliance Committee in December 2020.

# Travel Expense Review Policies

## Commonwealth Policies

- Commonwealth Travel Policy, Management Directive 230.10
- Commonwealth Travel Procedures Manual, Manual 230.1
- Out-of-State Travel submission exception
  - Exception# 6621 – allows identified PSERS positions (staff and Board) to exceed the monetary limits for lodging and subsistence published in Manual 230.1
  - Exception# 6621 – allows identified PSERS positions (staff and Board) to incur subsistence expenses on behalf of others in accordance with Section 4.5 of Manual 230.1
  - Out-of-State Travel submission exception (Governor's Office approval no longer needed)
- Commonwealth Out-Service Training, Management Directive 535.3

## PSERS Policies

- PSERS Board Governance Manual:  
[https://www.psers.pa.gov/About/Board/Documents/Governance\\_Manual.pdf](https://www.psers.pa.gov/About/Board/Documents/Governance_Manual.pdf)
  - Statement of Organization, Bylaws, and Other Procedures of the Commonwealth of Pennsylvania (Bylaws)
    - Article VI Standards of Official Conduct
      - Section 6.3 Additional Standards
        - (c) Expenses of Official Business
- Education Policy of the Commonwealth of Pennsylvania Public School Employees' Retirement Board
  - Section VII - Educational/Industry meetings
  - Section VIII - International meetings

# Travel Expense Review Policies (cont'd.)

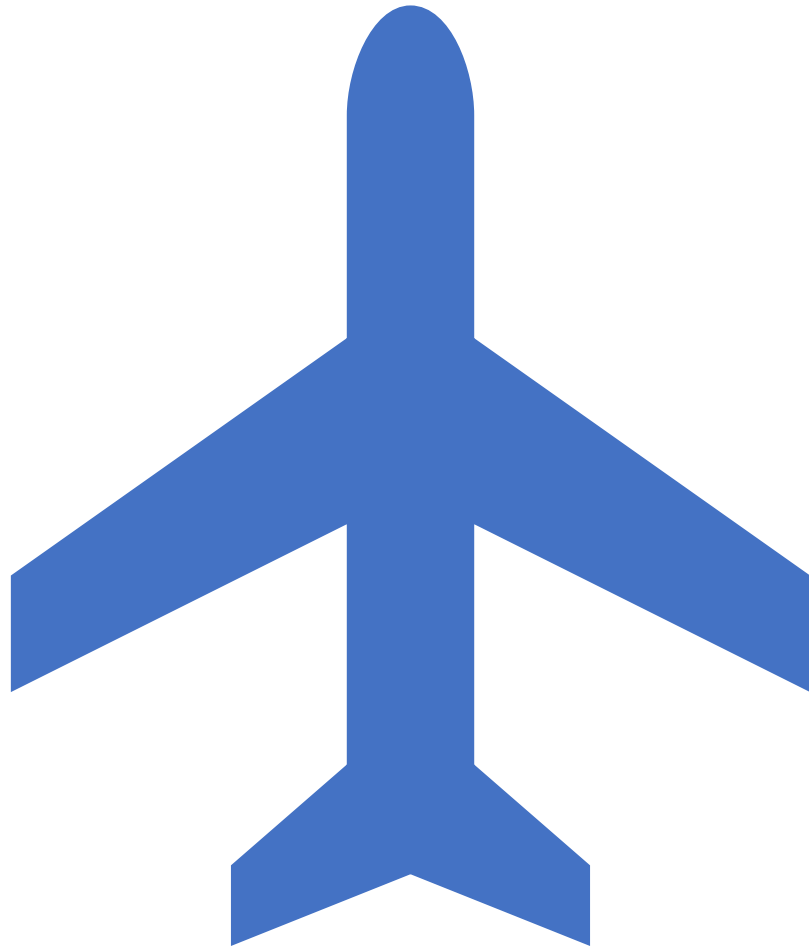
# Travel Expense Review Methodology

- Identify the types of PSERS travelers and their reasons for travel
- Identify the pre-travel approval process for each traveler type by travel location
  - In-state
  - Out-of-state
  - International
- Identify travel reimbursement process
  - Approval of System-paid travel expenses
  - Approval of reimbursement by a 3rd party for System-paid travel expenses
  - Direct vendor-paid travel according to contract
- Identify contract language that currently allows vendors to pay/reimburse PSERS for staff travel expenses

# Key Opportunities for Improvement

Implement	<p>Implement a stand-alone PSERS Travel Policy including reporting requirements across the agency that increase transparency and accountabilities.</p> <ul style="list-style-type: none"><li>• Currently being drafted for review by the Bylaws Committee</li></ul>
Implement	<p>Implement contractual requirements for managers/consultants to provide third-party-paid travel expenses if allowed by approved travel policy.</p>
Develop	<p>Develop a travel reporting tool</p> <ul style="list-style-type: none"><li>• Centralized repository will allow for greater visibility and monitoring</li><li>• In the fall of 2020, a process has been developed for reports to be included with SAP reimbursement requests and will be used for posting information on the public website and reported to the Board of Trustees as soon as the new Travel Policy has been adopted.</li></ul>
Create	<p>Create an electronic Out-of-State Travel Approval process/workflow</p> <ul style="list-style-type: none"><li>• A process for the approval, by the Board Chair, of trips over \$2,000 and all international trips has been established in the Fall of 2020.</li></ul>

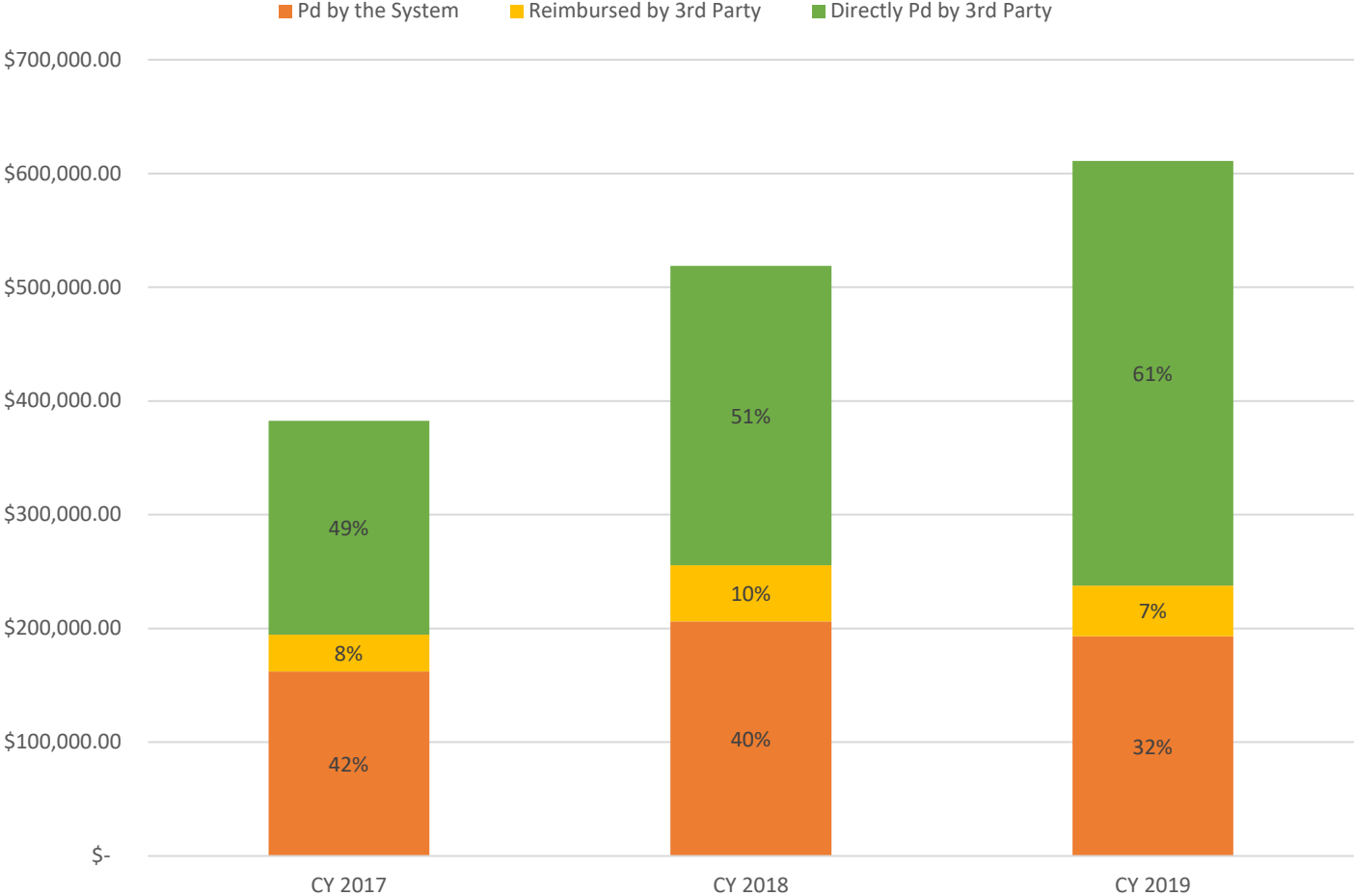




# Travel Expenses CY 2017-2019

Key Statistics

### Total Travel Expenses by Calendar Year



- The travel expenses have gradually been increasing throughout the years as net assets grew and the asset allocation changed.
- Majority of the travel expenses have been paid by third parties according to contract for the three years in review.

Traveler Types	2017	2018	2019
IO Staff	\$ 262,995.42	\$ 376,585.30	\$ 459,861.48
Non-IO Staff	\$ 79,918.91	\$ 102,769.95	\$ 124,587.19
Board of Trustees	\$ 39,689.24	\$ 39,375.01	\$ 26,470.04
	<b>\$ 382,603.57</b>	<b>\$ 518,730.26</b>	<b>\$ 610,918.71</b>

# Top Reasons for 3<sup>rd</sup> Party-Paid Travel

2017	% of Total \$ Paid	2018	% of Total \$ Paid	2019	% of Total \$ Paid
Advisory/Annual Meeting	78.22%	Advisory/Annual Meeting	64.80%	Advisory/Annual Meeting	64.11%
Conference	7.70%	Conference	17.33%	Due Diligence	18.73%
		Due Diligence	11.17%		

**Note:**

1. Reasons were provided by the vendors. However, the terminologies used by vendors are not standardized. It is recommended that standardized terms be used going forward.
2. Due Diligence as listed above were site visits conducted by PSERS Investment Office personnel.
3. Only reasons with a percentage of >5% are shown.

# Third-Party-Paid Travel Expense Reports

- Travel expense reports have been created for calendar years 2017, 2018, and 2019.
- Reports include the traveler, dates of travel, destination, purpose of travel, the vendor who paid for travel and a breakdown of the expenses paid.
- Reports are available on Diligent
- Supporting documentation that was created by a PSERS staff member is available upon request. Documentation from vendors providing expenses totals are also available but may not include actual invoices.

# Sample of Travel Expense Report

- Report Includes:
  - Name of the traveler
  - Travel Dates
  - Destination
  - Name of the third-party who paid for the expenses
  - Purpose of the travel
  - Description including funds, properties, etc. that were visited or discussed
  - Breakdown of travel expenses
- Reports are subtotaled by the third-party vendors

PSERS Travel Expenses Paid or Reimbursed by Third Parties  
Calendar Year 2017

Traveler	Travel Dates From	Travel Dates To	Travel City	Travel State/Country	Charge to	Travel Purpose	Description (Investment/Fund Managers, Partnerships, Consultants, Investment Properties visited or Investment Operations reviewed)	Air/Train/Bus Fare/Taxi	Hotel	Subsistence	Mileage/Car Rental	Travel Agent Svc Fee	Miscellaneous Dollars	Miscellaneous Description	Total Dollars
Jeffrey Burton	6/20/2017	6/23/2017	Boston	MA	Acadian Asset Management	Due Diligence	N/A	\$46.00	\$771.40	\$24.43	\$0.00	\$0.00	\$0.00		\$841.83
Raymond Schieinkofer	6/20/2017	6/23/2017	Boston	MA	Acadian Asset Management	Due Diligence	N/A	\$89.47	\$771.40	\$0.00	\$0.00	\$0.00	\$0.00		\$860.87
Thomas Bauer	6/20/2017	6/23/2017	Boston	MA	Acadian Asset Management	Due Diligence	N/A	\$0.00	\$771.40	\$32.22	\$0.00	\$0.00	\$0.00		\$803.62
					<b>Acadian Asset Management Total</b>			<b>\$135.47</b>	<b>\$2,314.20</b>	<b>\$56.65</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>		<b>\$2,506.32</b>
Michael Tyler	4/24/2017	4/27/2017	London	UK	Actis Global 4, L.P.	Advisory/Annual Meeting	Actis Emerging Markets 3, L.P.	\$0.00	\$385.84	\$0.00	\$5.35	\$0.00	\$19.00	Parking	\$410.19
Michael Tyler	4/24/2017	4/27/2017	London	UK	Actis Global 4, L.P.	Advisory/Annual Meeting	Actis Global 4, L.P.	\$0.00	\$385.84	\$0.00	\$5.35	\$0.00	\$19.00	Parking	\$410.19
Michael Tyler	12/13/2017	12/14/2017	New York	NY	Actis Global 4, L.P.	Advisory/Annual Meeting	Actis Global 4, L.P.	\$96.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		\$96.00
					<b>Actis Global 4, L.P. Total</b>			<b>\$96.00</b>	<b>\$771.68</b>	<b>\$0.00</b>	<b>\$10.70</b>	<b>\$0.00</b>	<b>\$38.00</b>		<b>\$916.38</b>
Robert Little	4/30/2017	5/2/2017	Hamilton	Bermuda	Aeolus Capital Management, L.P.	Due Diligence	Aeolus Property Catastrophe Keystone Fund, LP - J15	\$26.44	\$41.85	\$3.11	\$0.43	\$0.00	\$1.22	Baggage Fee, Parking & Tip	\$73.05
Robert Little	4/30/2017	5/2/2017	Hamilton	Bermuda	Aeolus Capital Management, L.P.	Due Diligence	Aeolus Property Catastrophe Keystone PF Fund, LP - J16	\$26.44	\$41.85	\$3.11	\$0.43	\$0.00	\$1.22	Baggage Fee, Parking & Tip	\$73.05
Robert Little	4/30/2017	5/2/2017	Hamilton	Bermuda	Aeolus Capital Management, L.P.	Due Diligence	Aeolus Property Catastrophe Keystone PF Fund, LP - J17	\$26.44	\$41.85	\$3.11	\$0.43	\$0.00	\$1.22	Baggage Fee, Parking & Tip	\$73.05



# Questions