



OFFICE OF THE CITY AUDITOR
Long Beach, California

C-6

LAURA L. DOUD, CPA
City Auditor

November 3, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Quarterly Report of Cash and Investments for the quarter ending December 31, 2008.

DISCUSSION:

Pursuant to Section 803 of the City Charter, the Office of the City Auditor is charged with verifying cash in the City Treasury on a quarterly basis and providing a written report to the City Council. Attached is the Quarterly Report of Cash and Investments for the quarter ending December 31, 2008.

TIMING CONSIDERATIONS:

This item is not time sensitive.

FISCAL IMPACT:

There is no fiscal impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

Handwritten signature of Laura L. Doud in cursive.

Laura L. Doud, CPA
CITY AUDITOR

LLD:JD:nb

Office of the City Auditor

Audit Report
Quarterly Audit of Cash & Investments

As of December 31, 2008

October 2009



Audit Staff

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EXECUTIVE SUMMARY

The Office of the City Auditor has completed the quarterly audit of the cash and investment balances of the City of Long Beach as of December 31, 2008. The City of Long Beach's management is responsible for the schedules of cash and investments. Our responsibility is to verify cash on a quarterly basis and provide a written report to the City Council. As of December 31, 2008, the City's cash and investment portfolio totaled \$1.94 billion.

Based on the results of audit procedures performed as described below, cash and investment balances as recorded on the City's books as of December 31, 2008 agree as to the amount and description with outside depositories. Also, we found the City to be in compliance with the California Government Code and the City's Investment Policy.

BACKGROUND

City Charter Mandate

Pursuant to Section 803 of the Charter of the City of Long Beach, California, the Office of the City Auditor is charged with verifying cash in the City Treasury on a quarterly basis and providing a written report to the City Council.

This performance audit of the cash and investment balances of the City of Long Beach includes verifying cash and investments with outside depositories, and evaluating the City Treasurer's compliance with the California Government Code Section 53601 and the City's Investment Policy, which is adopted annually by the City Council.

Pooled Cash and Investments

The City's pooled cash is a grouping of the City's available cash for investments. The larger amount of money involved in a pool allows the City to earn a higher rate of return than each fund could receive by itself. Pooled funds that are not needed for operations are invested by the Treasury Bureau. The interest income earned in pooled cash and investments is apportioned to funds based on the ratio of daily cash balances to the total of pooled cash and investments.

Non-pooled Cash and Investments

Generally, non-pooled cash is used for specific project operations or pledged for reserves or interest payments of outstanding debt.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to agree cash and investments as to the amount and description recorded on the City's books with outside depositories and to evaluate the City's compliance with provisions of the California Government Code Section 53601 and the City's Investment Policy.

The scope of this audit was limited to the quarter ending December 31, 2008.

We performed the following procedures in our audit:

- Conducted interviews of management personnel to gain an understanding of the internal controls in place surrounding the safeguarding of City's cash and investments.
- Obtained written confirmations of all cash held by banks and investments held by the City Treasurer's safekeeping agent and other custodians as of December 31, 2008 and agreed them to the City's general ledger.
- Traced the balance of total investments on the City Treasurer's Investment Holdings Report as of December 31, 2008 to the City's general ledger.
- Analyzed the bank account and investment reconciliations as of December 31, 2008 and agreed them to the City's general ledger. This included testing, on a sample basis, the various adjustments made on the reconciliations.
- Compared investments listed on the City Treasurer's Investment Activity Portfolio Statistics Report as of December 31, 2008 to the types of investments authorized for the City in accordance with the City's Investment Policy and California Government Code Section 53601.
- Compared the portfolio mix of investment types listed in the City Treasurer's Investment Activity Portfolio Statistics Report as of December 31, 2008 to the portfolio mix limitations imposed by the City's Investment Policy and California Government Code Section 53601 for specific investment types.
- Recomputed and reviewed supporting documentation, on a sample basis, relevant to the purchase, sale and maturity of individual investments to determine compliance with the following provisions of the California Government Code Section 53601, and the City's Investment Policy:
 - Purchase of investments meet minimum rating requirements and maximum allowable maturity periods.
 - All sections of the investment transaction record are properly completed and authorized by the City Treasurer.
 - Transactions are supported by documentation from third-party sources (individual broker confirmations, safekeeping statements, custodian statements, etc.).

The City finalizes its calculations of accrued interest at the end of the fiscal year; thus, testing of this interest is conducted as part of our fourth quarter cash and investments audit. As such, we did not test accrued interest, which is excluded from the balance of Total Cash and Investments as of December 31, 2008, listed below and in Attachments I and II. In addition, the allocation of pooled cash and investments between funds was outside the scope of this audit.

We conducted this 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.

RESULTS AND CONCLUSIONS

The City's cash and investment balances as of December 31, 2008 are summarized as follows:

Pooled Cash and Investments	\$ 1,698,778,180
Non-Pooled Cash and Investments	<u>243,354,126</u>
Total Cash and Investments	<u>\$ 1,942,132,306</u>

The Schedule of Pooled and Non-Pooled Cash and Investment Balances by Fund, and the Schedule of Pooled and Non-Pooled Cash and Investment Balances by Security Type are attached.

Based on the results of audit procedures performed, cash and investment balances as recorded on the City's books as of December 31, 2008, agree as to the amount and description with outside depositories. Also, we found the City to be in compliance with the California Government Code and the City's Investment Policy.

Certain internal control recommendations not significant to our audit objectives have been communicated separately to management.

MANAGEMENT COMMENTS

Management concurs with the results of this audit report.

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND
AT DECEMBER 31, 2008 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007**

Fund #	Name of Fund	Pooled 12/31/2008	Non-Pooled 12/31/2008	Total at 12/31/2008	Total at 12/31/2007
100	General Fund, General	\$ 58,038,132	\$ 4,297,799	\$ 62,335,931	\$ 64,867,820
103	General Fund, Library	(3,822,867)	20,705	(3,802,162)	(897,792)
105	General Fund, Parks and Recreation	(3,116,737)	2,186,921	(929,816)	4,888,549
110	Budget Stabilization	9,000,000	-	9,000,000	-
120	Special Revenue, General Grants	3,032,493	-	3,032,493	5,559,253
121	Special Revenue, Police & Fire	1,656,114	-	1,656,114	1,767,423
130	Special Revenue, Health	449,452	10,650	460,102	627,064
131	Special Revenue, CUPA	1,085,612	-	1,085,612	868,590
132	Special Revenue, Parking & Business	1,513,686	-	1,513,686	1,312,847
133	Special Advertising & Promotion	1,042,233	281	1,042,514	1,191,968
134	Special Revenue, Upland Oil	10,550,335	-	10,550,335	5,259,436
135	Housing Development	44,677,997	5,089	44,683,086	43,046,117
136	Belmont Shore Parking Meters	690,544	39,491	730,035	651,075
137	Planning & Building Department	3,596,568	-	3,596,568	1,925,874
149	Special Revenue, Business Assistance	1,537,175	-	1,537,175	1,761,499
150	Community Development Grants	950,194	14,708	964,902	4,043,033
151	Housing Authority	13,065,859	573,144	13,639,003	19,731,121
180	Special Revenue, Park Development	193,060	-	193,060	391,224
181	Gas Tax Street Improvement	7,326,203	-	7,326,203	8,587,990
182	Special Revenue, Transportation	42,812,687	-	42,812,687	34,549,428
201	Capital Projects	18,561,993	18,906,607	37,468,600	37,348,950
202	Assessment District-Capital Projects	2,739,489	153	2,739,642	2,645,553
220	RDA-LB Bond Authority	-	32,209	32,209	39,142
221	RDA-Poly High	787,911	244,390	1,032,301	1,805,686
222	RDA-West Beach	1,967,410	1,316,433	3,283,843	3,071,030
223	RDA-West Long Beach	21,611,152	3,125,234	24,736,386	24,583,523
224	RDA-Downtown	20,853,323	8,189,339	29,042,662	25,127,078
225	RDA-Project Income	2,911,469	-	2,911,469	2,100,823
227	RDA-Los Altos	608,431	408,017	1,016,448	945,304
228	RDA-Central	10,101,832	10,386,789	20,488,621	19,413,615
230	RDA-North	24,906,622	27,803,935	52,710,557	66,638,431
232	RDA-Housing	24,118	30,466,482	30,490,600	40,124,033
301	Gas Revenue	2,079,383	655,500	2,734,883	6,137,572
303	Gas Prepaid	50,839	17,206,155	17,256,994	-
310	Water	13,152,795	3,619,050	16,771,845	12,345,460
311	Sewer	2,889,085	-	2,889,085	4,306,558
320	Airport	23,050,331	4,378,044	27,428,375	17,743,331
330	Refuse/Recycling	27,595,855	3,000	27,598,855	23,387,490
331	SERRF	29,755,639	-	29,755,639	32,129,104
339	SERRF JPA	238,048	12,696,117	12,934,165	12,438,327
340	Towing Operations	481,708	3,700	485,408	941,805

**ATTACHMENT I
(CONTINUED)**

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND
AT DECEMBER 31, 2008 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007**

Fund #	Name of Fund	Pooled 12/31/2008	Non-Pooled 12/31/2008	Total at 12/31/2008	Total at 12/31/2007
380	Civic Center	\$ 8,225,883	\$ 3,731,422	\$ 11,957,305	\$ 18,052,016
385	General Services	5,077,525	3,041	5,080,566	4,010,215
386	Fleet Services Fund	7,468,482	2,881,542	10,350,024	12,365,854
390	Insurance	17,708,201	61	17,708,262	15,790,864
391	Employee Benefits	58,569,127	-	58,569,127	55,465,700
401	Tidelands Operations	47,444,776	17,668,606	65,113,382	50,537,488
403	Tidelands-Marina	8,857,272	15,600	8,872,872	8,263,953
410	Queen Mary	3,636,639	-	3,636,639	1,281,401
411	Tidelands Operating - Rainbow Harbor Area	3,052,637	4,557,015	7,609,652	6,978,406
420	Tidelands Oil Revenue	9,037,582	3,000	9,040,582	47,922,522
421	Tidelands Reserve - Subsidence	161,504,732	2,405,516	163,910,248	159,354,321
430	Harbor - Operations	591,733,698	35,000	591,768,698	625,759,891
431	Harbor - Capital	(28,130,027)	-	(28,130,027)	(31,206,194)
432	Harbor Debt Service	398,290,868	57,165,401	455,456,269	441,932,706
433	Harbor - Clean Air Action Plan	(1,822,727)	-	(1,822,727)	-
440	Expandable Trusts	1,035,274	-	1,035,274	1,014,555
451	ICTF JPA	11,884,577	-	11,884,577	20,080,845
452	Earthquake Assessment Agency Funds	1,834,824	-	1,834,824	1,802,737
453	Other Special Assessment	2,619,754	-	2,619,754	2,169,881
455	Other Agency	3,127,459	1,500	3,128,959	2,694,441
460	Los Cerritos Wetlands Authority Agency				
	Special Assessment DFD #5 LB	-	42,284	42,284	34,242
470	Agency Special Assessmt CFD #5 LB				
	Towne Center	132,040	1,287,548	1,419,588	1,416,238
471	Agency Special Assessment LBBFA Local				
	Agency	-	873,985	873,985	862,378
472	Agency Special Assessment CFD#6 Pike				
	Public Improvements	146,701	3,240,478	3,387,179	5,389,577
473	Agency Special Assessment - Douglas Park	491,066	2,852,185	3,343,251	14,942,239
999	Accrued Interest Receivable	(11,794,356)	-	(11,794,356)	(16,318,374)
	TOTAL CASH AND INVESTMENTS	\$ 1,698,778,180 *	\$ 243,354,126	\$ 1,942,132,306	\$ 1,984,003,236

* We tested the City's Pooled Investment Fund in aggregate; the City's allocation of Pooled Investments is presented for informational purposes only.

ATTACHMENT II

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY SECURITY TYPE
AT DECEMBER 31, 2008 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007**

	Pooled 12/31/2008	Non-Pooled 12/31/2008	Total 12/31/2008	Total 12/31/2007
CASH:				
Cash in Banks	\$ 297,819,484	\$ 1,107,553	\$ 298,927,037	\$ 123,161
Cash with Fiscal Agents	-	172,653,675	172,653,675	213,334,623
	<u>\$ 297,819,484</u>	<u>\$ 173,761,228</u>	<u>\$ 471,580,712</u>	<u>\$ 213,457,784</u>
INVESTMENTS:				
U.S. Treasury Bills	\$ 39,931,138	\$ -	\$ 39,931,138	\$ -
U.S. Treasury Notes	206,427,975	-	206,427,975	124,254,538
Federal Farm Credit Bank	76,683,178	-	76,683,178	81,572,228
Federal Home Loan Bank	287,176,526	-	287,176,526	354,458,853
Federal Home Loan Discount	19,821,678	-	19,821,678	-
Federal National Mortgage Association (FNMA)	223,154,733	-	223,154,733	437,966,655
FNMA Discounts Notes	19,791,706	-	19,791,706	-
Federal Home Loan Mortgage Corporation (FHLMC)	265,243,538	-	265,243,538	331,562,020
FHLMC Discount Notes	19,961,442	-	19,961,442	-
Medium Term Notes	-	-	-	64,408,381
Commercial Paper	-	-	-	204,900,700
Local Agency Investment Fund	160,000,000	-	160,000,000	119,113,601
Certificates of Deposit	-	-	-	10,000,000
Guaranteed Investment Contracts	-	70,206,616	70,206,616	36,477,173
Special Assessment Bonds	-	(613,718)	(613,718)	1,473,611
Municipal Bonds	-	-	-	1,309,726
Savers Loan	2,829,754	-	2,829,754	3,047,966
Guaranteed Rate Management Account (GRMA)	79,937,028	-	79,937,028	-
Total Investments	<u>1,400,958,696</u>	<u>69,592,898</u>	<u>1,470,551,594</u>	<u>1,770,545,452</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 1,698,778,180</u>	<u>\$ 243,354,126</u>	<u>\$ 1,942,132,306</u>	<u>\$ 1,984,003,236</u>