



OFFICE OF THE CITY AUDITOR
Long Beach, California

C-4

LAURA L. DOUD, CPA
City Auditor

April 21, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the 3rd and 4th Quarters of Cash and Investments for the quarters ending June 30, 2008, and September 30, 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 are the quarterly Reports of Cash and Investments for the quarters ending June 30, 2008, and September 30, 2008.

TIMING CONSIDERATIONS:

This item is not time sensitive.

FISCAL IMPACT:

There is no fiscal impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

Laura L. Doud, CPA
CITY AUDITOR

Attachment

Office of the City Auditor

Audit Report
Quarterly Audit of Cash & Investments
As of September 30, 2008

April 2009



Audit Staff

City Auditor: Laura L. Doud
Assistant City Auditor: James Johnson
Deputy City Auditor: Janet Day
Staff Auditor: Jessica Machado
Staff Auditor: Scott Gardiner

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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 September 30, 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 September 30, 2008, the City's cash and investment portfolio totaled \$1.95 billion.

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 California Government Code Section 53601 and the City's Investment Policy, which is adopted annually by the City Council.

Based on the results of audit procedures performed as described below, cash and investment balances as recorded on the City's books as of September 30, 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.

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 group of funds 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 September 30, 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 significant cash accounts and held by banks and investments held by the City Treasurer's safekeeping agent and other custodians as of September 30, 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 September 30, 2008 to the City's general ledger.
- Analyzed the bank account and investment reconciliations as of September 30, 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 September 30, 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 September 30, 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 California Government Code Section 53601 and/or 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 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 September 30, 2008 are summarized as follows:

Pooled Cash and Investments	\$ 1,703,567,473
Non-Pooled Cash and Investments	<u>250,531,133</u>
Total Cash and Investments	<u>\$ 1,954,098,606</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 September 30, 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.

We noted an internal control issue that we reported to management of the City of Long Beach, Office of Financial Management, in a separate letter dated March 24, 2009.

MANAGEMENT COMMENTS

Management concurs with the results of this audit report.

ATTACHMENT I

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND
AT SEPTEMBER 30, 2008 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

Fund #	Name of Fund	Pooled 9/30/2008	Non-Pooled 9/30/2008	Total at 9/30/2008	Total at 9/30/2007
100	General Fund, General	\$ 42,054,354	\$ 4,377,717	\$ 46,432,071	\$ 87,082,121
103	General Fund, Library	228,847	20,705	249,552	495,241
105	General Fund, Parks and Recreation	3,841,852	2,166,268	6,008,120	6,106,471
120	Special Revenue, General Grants	4,060,870	-	4,060,870	4,750,541
121	Special Revenue, Police & Fire	1,161,956	-	1,161,956	892,925
130	Special Revenue, Health	1	6,120	6,121	616,306
131	Special Revenue, CUPA	274,150	-	274,150	154,723
132	Special Revenue, Parking & Business	843,763	-	843,763	634,871
133	Special Advertising & Promotion	2,041,255	281	2,041,536	1,943,771
134	Special Revenue, Upland Oil	6,049,202	-	6,049,202	3,870,726
135	Housing Development	37,275,047	13,898	37,288,945	38,708,665
136	Belmont Shore Parking Meters	636,322	39,491	675,813	628,154
137	Planning & Building Department	3,932,131	-	3,932,131	1,894,158
149	Special Revenue, Business Assistance	1,234,195	-	1,234,195	1,299,741
150	Community Development Grants	1,825,799	13,848	1,839,647	4,781,650
151	Housing Authority	16,311,378	60,585	16,371,963	19,291,694
180	Special Revenue, Park Development	160,189	-	160,189	461,721
181	Gas Tax Street Improvement	6,181,958	-	6,181,958	10,127,222
182	Special Revenue, Transportation	39,186,160	-	39,186,160	33,099,212
201	Capital Projects	19,376,100	18,693,694	38,069,794	41,272,701
202	Assessment District-Capital Projects	2,720,718	153	2,720,871	2,614,872
220	RDA-LB Bond Authority	-	32,177	32,177	38,773
221	RDA-Poly High	566,481	244,408	810,889	1,635,072
222	RDA-West Beach	1,238,318	1,316,352	2,554,670	2,415,924
223	RDA-West Long Beach	17,847,108	3,171,053	21,018,161	22,045,357
224	RDA-Downtown	14,174,380	8,335,755	22,510,135	24,966,119
225	RDA-Project Income	2,886,830	-	2,886,830	2,679,445
227	RDA-Los Altos	350,637	411,706	762,343	727,754
228	RDA-Central	1,360,286	10,531,893	11,892,179	13,228,497
230	RDA-North	9,128,487	34,335,425	43,463,912	57,394,913
232	RDA-Housing	23,998	31,404,922	31,428,920	43,997,568
301	Gas Revenue	2,814,613	655,500	3,470,113	11,311,162
303	Gas Prepaid	-	17,256,917	17,256,917	-
310	Water	10,540,578	3,619,050	14,159,628	12,204,938
311	Sewer	3,214,816	-	3,214,816	5,287,400
320	Airport	21,777,810	78,003	21,855,813	21,192,175
330	Refuse/Recycling	26,339,882	3,000	26,342,882	23,404,012
331	SERRF	41,239,363	-	41,239,363	41,480,264
339	SERRF JPA	236,304	12,696,117	12,932,421	12,433,340
340	Towing Operations	189,648	3,700	193,348	1,026,622
380	Civic Center	7,604,385	3,778,959	11,383,344	17,460,851
385	General Services	5,233,263	3,041	5,236,304	5,556,127

ATTACHMENT I
(continued)

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND
AT SEPTEMBER 30, 2008 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

Fund #	Name of Fund	Pooled 9/30/2008	Non-Pooled 9/30/2008	Total at 9/30/2008	Total at 9/30/2007
386	Fleet Services Fund	9,133,785	2,881,541	12,015,326	13,165,951
390	Insurance	16,675,625	61	16,675,686	11,783,589
391	Employee Benefits	65,696,431	-	65,696,431	52,909,323
401	Tidelands Operations	46,501,419	15,783,105	62,284,524	42,439,750
403	Tidelands-Marina	6,991,326	15,600	7,006,926	1,818,996
410	Queen Mary	3,645,802	-	3,645,802	1,104,861
411	Tidelands Operating - Rainbow Harbor Area	3,148,401	4,582,463	7,730,864	8,299,946
420	Tidelands Oil Revenue	63,531,242	3,000	63,534,242	53,595,765
421	Tidelands Reserve - Subsidence	160,298,785	2,400,270	162,699,055	157,439,810
430	Harbor - Operations	560,949,166	35,000	560,984,166	555,199,171
432	Harbor Debt Service	397,233,720	54,282,972	451,516,692	439,553,209
440	Expandable Trusts	1,027,675	-	1,027,675	992,495
451	ICTF JPA	4,402,258	-	4,402,258	11,195,629
452	Earthquake Assessment Agency Funds	1,596,445	-	1,596,445	1,557,514
453	Other Special Assessment	2,142,582	-	2,142,582	1,734,121
455	Other Agency	3,358,899	1,500	3,360,399	2,772,248
460	Los Cerritos Wetlands Authority	-	17,584	17,584	34,342
470	Agency Special Assessment CFD #5 LB Towne Center	954,153	1,287,548	2,241,701	2,227,450
471	Agency Special Assessment LBBFA Local Agency	-	873,985	873,985	856,959
472	Agency Special Assessment CFD#6 Pike Pub Impv	2,582	5,244,941	5,247,523	5,233,876
473	Agency Special Assessment - Douglas Park	113,743	9,850,825	9,964,568	14,549,699
TOTAL CASH AND INVESTMENTS		<u>\$ 1,703,567,473 *</u>	<u>\$ 250,531,133</u>	<u>\$ 1,954,098,606</u>	<u>\$ 1,959,678,503</u>

* We tested the City's Pooled Investment Fund in aggregate; the City's allocation of Pooled Investments is presented for informational purposes only (Note: interest accruals for investments are included in these amounts).

ATTACHMENT II

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY SECURITY TYPE
AT SEPTEMBER 30, 2008 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

	<u>Pooled 9/30/2008</u>	<u>Non-Pooled 9/30/2008</u>	<u>Total 9/30/2008</u>	<u>Total 9/30/2007</u>
CASH:				
Cash in Banks	\$ 40,561,425	\$ 708,420	\$ 41,269,845	\$ 22,866,375
Cash with Fiscal Agents	-	<u>183,205,542</u>	<u>183,205,542</u>	<u>\$ 223,632,502</u>
	<u>\$ 40,561,425</u>	<u>\$ 183,913,962</u>	<u>\$ 224,475,387</u>	<u>\$ 246,498,877</u>
INVESTMENTS:				
U.S. Treasury Notes	\$ 55,816,625	\$ -	\$ 55,816,625	\$ 145,148,694
Federal Farm Credit Bank	92,999,207	-	92,999,207	89,333,850
Federal Home Loan Bank	477,696,353	-	477,696,353	354,763,051
Federal National Mortgage Association	359,103,202	-	359,103,202	438,821,519
Federal Home Loan Mortgage Corporation	359,571,111	-	359,571,111	307,865,535
Medium Term Notes	84,152,097	-	84,152,097	49,880,870
Commercial Paper	-	-	-	135,873,735
L.A.I.F.	160,844,517	-	160,844,517	139,156,379
Money Market	69,931,057	-	69,931,057	-
Certificates of Deposit	-	10,019,583	10,019,583	10,000,000
Guaranteed Investment Contracts	-	54,197,318	54,197,318	36,477,419
Special Assessment Bonds	-	1,542,540	1,542,540	1,450,634
Municipal Bonds	-	857,730	857,730	1,309,725
Savers Loan	<u>2,891,879</u>	-	<u>2,891,879</u>	<u>3,098,215</u>
Total Investments	<u>1,663,006,048</u>	<u>66,617,171</u>	<u>1,729,623,219</u>	<u>1,713,179,626</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 1,703,567,473</u>	<u>\$ 250,531,133</u>	<u>\$ 1,954,098,606</u>	<u>\$ 1,959,678,503</u>