



**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

LAURA L. DOUD, CPA  
City Auditor

January 12, 2010

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 March 31, 2009.

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 March 31, 2009.

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

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## Audit Report Quarterly Audit of Cash & Investments

As of March 31, 2009

December 2009



### Audit Staff

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City Auditor: Laura L. Doud  
Assistant City Auditor: James Johnson  
Deputy City Auditor: Janet Day  
Senior Auditor: Sotheary Hul  
Staff Auditor: Scott Gardiner  
Audit Intern: Minh-Duc Pham

## Table of Contents

Executive Summary .....	1
Background .....	1
Audit Objectives, Scope, and Methodology .....	2
Results and Conclusions.....	3
Management Comments.....	3
Attachment I: Pooled and Non-Pooled Cash and Investment Balances By Fund.....	4
Attachment II: Pooled and Non-Pooled Cash and Investment Balances By Security Type .....	6

## **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 March 31, 2009. 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 March 31, 2009, the City's cash and investment portfolio totaled over \$1.97 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 March 31, 2009 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. The Treasury Bureau invests pooled funds that are not needed for operations. 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 March 31, 2009.

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 March 31, 2009 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 March 31, 2009 to the City's general ledger.
- Analyzed the bank account and investment reconciliations as of March 31, 2009 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 March 31, 2009 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 March 31, 2009 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 March 31, 2009, listed below and in Attachments I and II. 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 March 31, 2009 are summarized as follows:

Pooled Cash and Investments	\$ 1,743,446,348
Non-Pooled Cash and Investments	<u>230,655,355</u>
Total Cash and Investments	<u>\$ 1,974,101,703</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 March 31, 2009, 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 report findings.

**ATTACHMENT I**

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND  
AT MARCH 31, 2009 WITH COMPARATIVE TOTALS FOR MARCH 31, 2008**

<b>Fund #</b>	<b>Name of Fund</b>	<b>Pooled 3/31/2009</b>	<b>Non-Pooled 3/31/2009</b>	<b>Total at 3/31/2009</b>	<b>Total at 3/31/2008</b>
100	General Fund, General	\$ 75,382,808	\$ 4,064,280	\$ 79,447,088	\$ 82,596,098
103	General Fund, Library	866,739	20,705	887,444	(1,706,047)
105	General Fund, Parks and Recreation	3,556,936	2,132,529	5,689,465	5,412,122
110	General Fund, Budget Stabilization	9,000,000	-	9,000,000	-
120	Special Revenue, General Grants	3,020,469	-	3,020,469	8,483,568
121	Special Revenue, Police & Fire	2,065,387	-	2,065,387	2,677,666
130	Special Revenue, Health	(1,072,142)	10,650	(1,061,492)	1,305,458
131	Special Revenue, CUPA	866,031	-	866,031	648,429
132	Special Revenue, Parking & Business	925,331	-	925,331	1,124,647
133	Special Advertising & Promotion	748,500	281	748,781	2,104,880
134	Special Revenue, Upland Oil	7,804,374	-	7,804,374	5,153,892
135	Housing Development	44,754,162	9,344	44,763,506	44,506,712
136	Belmont Shore Parking Meters	762,631	39,491	802,122	732,983
137	Planning & Building Department	3,502,942	-	3,502,942	1,797,047
149	Special Revenue, Business Assistance	1,460,777	-	1,460,777	2,221,316
150	Community Development Grants	1,053,449	36,139	1,089,588	2,925,847
151	Housing Authority	12,339,220	46,108	12,385,328	20,817,035
180	Special Revenue, Park Development	173,437	-	173,437	287,550
181	Gas Tax Street Improvement	5,880,987	-	5,880,987	7,902,612
182	Special Revenue, Transportation	41,112,321	-	41,112,321	43,664,184
201	Capital Projects	17,258,691	18,154,946	35,413,637	43,284,619
202	Assessment District-Capital Projects	2,607,062	102	2,607,164	2,674,061
220	RDA-LB Bond Authority	-	31,555	31,555	31,694
221	RDA-Poly High	739,421	217,561	956,982	1,080,188
222	RDA-West Beach	1,885,204	1,316,582	3,201,786	2,850,511
223	RDA-West Long Beach	21,582,617	3,114,703	24,697,320	24,956,409
224	RDA-Downtown	20,940,612	8,150,385	29,090,997	26,339,195
225	RDA-Project Income	2,924,515	-	2,924,515	1,064,049
227	RDA-Los Altos	478,454	407,967	886,421	819,016
228	RDA-Central	9,733,856	10,302,439	20,036,295	17,266,175
230	RDA-North	22,195,159	26,635,304	48,830,463	60,286,194
232	RDA-Housing	24,750	29,958,042	29,982,792	34,022,625
301	Gas Revenue	4,586,294	655,500	5,241,794	14,476,335
303	Gas Prepaid	51,063	17,206,155	17,257,218	-
310	Water	19,632,602	20,000	19,652,602	13,875,118
311	Sewer	3,067,852	-	3,067,852	4,261,384
320	Airport	27,502,938	3,938,026	31,440,964	25,741,227
330	Refuse/Recycling	23,840,900	3,000	23,843,900	24,300,308
331	SERRF	33,083,347	-	33,083,347	38,888,748
339	SERRF JPA	98,316	11,318,855	11,417,171	12,540,335
340	Towing Operations	(147,008)	3,700	(143,308)	703,969
380	Civic Center	8,099,046	3,647,813	11,746,859	12,228,257



**ATTACHMENT I**  
(continued)

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND  
AT MARCH 31, 2009 WITH COMPARATIVE TOTALS FOR MARCH 31, 2008**

<b>Fund #</b>	<b>Name of Fund</b>	<b>Pooled 3/31/2009</b>	<b>Non-Pooled 3/31/2009</b>	<b>Total at 3/31/2009</b>	<b>Total at 3/31/2008</b>
385	General Services	\$ 6,671,426	\$ 3,041	\$ 6,674,467	\$ 3,355,385
386	Fleet Services Fund	8,196,544	2,871,162	11,067,706	12,192,156
390	Insurance	16,485,218	61	16,485,279	17,746,944
391	Employee Benefits	58,524,201	-	58,524,201	56,486,133
401	Tidelands Operations	45,371,632	12,736,429	58,108,061	55,496,438
403	Tidelands-Marina	10,102,841	15,600	10,118,441	7,535,572
410	Queen Mary	3,539,082	-	3,539,082	1,353,655
411	Tidelands Operating - Rainbow Harbor Area	4,447,951	4,561,656	9,009,607	7,339,018
413	Parking Authority- Rainbow Harbor Area	1	-	1	-
420	Tidelands Oil Revenue	10,327,049	3,000	10,330,049	40,787,957
421	Tidelands Reserve - Subsidence	162,216,008	2,428,492	164,644,500	161,108,937
430	Harbor - Operations	632,671,115	35,000	632,706,115	689,098,328
431	Harbor - Capital	(78,808,613)	-	(78,808,613)	(54,810,345)
432	Harbor Debt Service	420,336,514	57,134,508	477,471,022	471,328,360
433	Harbor - Clean Air Action Plan	(2,134,186)	-	(2,134,186)	-
440	Expandable Trusts	1,048,305	-	1,048,305	1,044,044
451	ICTF JPA	11,936,977	-	11,936,977	12,283,003
452	Earthquake Assessment Agency Funds	1,806,291	-	1,806,291	1,790,181
453	Other Special Assessment	2,259,207	-	2,259,207	2,227,727
455	Other Agency	3,132,151	1,500	3,133,651	2,682,771
460	Los Cerritos Wetlands Authority	-	42,068	42,068	34,000
	Agency Special Assessment CFD #5 LB				
470	Towne Center	139,046	1,279,080	1,418,126	1,834,529
	Agency Special Assessment LBBFA Local				
471	Agency	-	795,614	795,614	868,520
	Agency Special Assessment CFD#6 Pike				
472	Pub Impv	48,286	4,453,849	4,502,135	4,464,565
473	Agency Special Assessment - Douglas Park	194,857	2,852,133	3,046,990	14,835,182
999	Accrued Interest	(9,455,605)	-	(9,455,605)	(17,185,447)
<b>TOTAL CASH AND INVESTMENTS</b>		<u>\$ 1,743,446,348</u>	<u>\$ 230,655,355</u>	<u>\$ 1,974,101,703</u>	<u>\$ 2,088,244,029</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: Pooled interest accruals are included in each fund, but not in the totals).

**ATTACHMENT II**

**POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY SECURITY TYPE  
AT MARCH 31, 2009 WITH COMPARATIVE TOTALS FOR MARCH 31, 2008**

	<b>Pooled 3/31/2009</b>	<b>Non-Pooled 3/31/2009</b>	<b>Total 3/31/2009</b>	<b>Total 3/31/2008</b>
<b>CASH:</b>				
Cash in Banks	\$ 122,721,088	\$ 606,203	\$ 123,327,291	\$ 9,996,489
Cash with Fiscal Agents	-	164,084,995	164,084,995	195,581,516
	<u>\$ 122,721,088</u>	<u>\$ 164,691,198</u>	<u>\$ 287,412,286</u>	<u>\$ 205,578,005</u>
<b>INVESTMENTS:</b>				
U.S. Treasury Bills	\$ 149,920,060	\$ -	\$ 149,920,060	\$ -
U.S. Treasury Notes	241,488,344	-	241,488,344	104,479,867
Federal Farm Credit Bank	25,660,800	-	25,660,800	109,773,279
Federal Home Loan Bank	196,651,079	-	196,651,079	352,856,184
Federal National Mortgage Association	455,632,224	-	455,632,224	336,817,088
Federal Home Loan Mortgage Corporation	363,070,939	-	363,070,939	395,148,664
Medium Term Notes	-	-	-	64,409,022
Commercial Paper	-	-	-	257,899,518
L.A.I.F.	80,000,000	-	80,000,000	159,010,137
Money Market	105,530,720	-	105,530,720	-
Negotiable Certificates of Deposit	-	-	-	50,000,000
Certificates of Deposit	-	10,000,000	10,000,000	10,000,000
Guaranteed Investment Contracts	-	53,535,665	53,535,665	36,477,174
Special Assessment Bonds	-	1,588,492	1,588,492	1,488,929
Municipal Bonds	-	840,000	840,000	1,309,726
Savers Loan	2,771,094	-	2,771,094	2,996,436
Total Investments	<u>\$ 1,620,725,260</u>	<u>\$ 65,964,157</u>	<u>\$ 1,686,689,417</u>	<u>\$ 1,882,666,024</u>
<b>TOTAL CASH AND INVESTMENTS</b>	<u>\$ 1,743,446,348</u>	<u>\$ 230,655,355</u>	<u>\$ 1,974,101,703</u>	<u>\$ 2,088,244,029</u>