LAURA L. DOUD, CPA City Auditor

May 4, 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 September 30, 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 September 30, 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

Audit Report

Quarterly Audit of Cash & Investments

As of September 30, 2009

MAY 2010



Audit Staff

City Auditor: Laura L. Doud
Assistant City Auditor: James Johnson
Deputy City Auditor: Janet Day
Audit Manager: Patrice Launay
Staff Auditor: Carolyn Phu
Staff Auditor: Scott Gardiner
Audit Intern: Yujing Pan

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 September 30, 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 September 30, 2009, the City's cash and investment portfolio totaled approximately \$1.93 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 September 30, 2009 agree as to the amount and description with outside depositories. Also, we found the City to be in compliance with the relevant provisions of 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 relevant provisions of the California Government Code 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 within 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 the relevant provisions of the California Government Code and the City's Investment Policy.

The scope of this audit was limited to the quarter ending September 30, 2009.

We performed the following procedures in our audit:

- Obtained an understanding of the internal controls 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 September 30, 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 September 30, 2009 to the City's general ledger.
- Analyzed the bank account and investment reconciliations as of September 30, 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 September 30, 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 September 30, 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.).

 Recalculated accrued interest to determine whether accrued interest for investments held as of September 30, 2009 was accurately stated on the City's general ledger. The allocation of interest between funds was outside the scope of our 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, 2009 are summarized as follows:

Pooled Cash and Investments \$ 1,696,158,012

Non-Pooled Cash and Investments 234,692,840

Total Cash and Investments \$ 1,930,850,852

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, 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 Section 53601 and the City's Investment Policy, with regards to the audit procedures described in the Audit Objectives, Scope, and Methodology section.

MANAGEMENT COMMENTS

Management concurs with the report findings.

ATTACHMENT I

POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND AT SEPTEMBER 30, 2009 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008

Fund #	Name of Fund	Pooled 9/30/2009	Non-Pooled 9/30/2009	Total at 9/30/2009	Total at 9/30/2008		
100	General Fund, General	\$ 46,305,396	\$ 4,241,159	\$ 50,546,555	\$ 46,432,071		
103	General Fund, Library	292,108	20,705	312,813	249,552		
105	General Fund, Parks and Recreation	2,741,210	2,287,688	5,028,898	6,008,120		
110	General Fund, Budget Stabalization	9,000,000	, , , -	9,000,000	-		
120	Special Revenue, General Grants	2,720,894	-	2,720,894	4,060,870		
121	Special Revenue, Police & Fire	198,234	-	198,234	1,161,956		
130	Special Revenue, Health	1	7,860	7,861	6,121		
131	Special Revenue, CUPA	235,089	-	235,089	274,150		
132	Special Revenue, Parking & Business	1,016,615	-	1,016,615	843,763		
133	Special Advertising & Promotion	631,873	281	632,154	2,041,536		
134	Special Revenue, Upland Oil	6,351,682	-	6,351,682	6,049,202		
135	Housing Development	47,886,974	16,637	47,903,611	37,288,945		
136	Belmont Shore Parking Meters	765,161	45,166	810,327	675,813		
137	Planning & Building Department	3,905,816	-	3,905,816	3,932,131		
149	Special Revenue, Business Assistance	388,671	-	388,671	1,234,195		
150	Community Development Grants	1	14,942	14,943	1,839,647		
151	Housing Authority	11,172,311	83,875	11,256,186	16,371,963		
180	Special Revenue, Park Development	70,063	-	70,063	160,189		
181	Gas Tax Street Improvement	5,116,579	-	5,116,579	6,181,958		
182	Special Revenue, Transportation	33,671,429	-	33,671,429	39,186,160		
201	Capital Projects	15,223,427	17,425,949	32,649,376	38,069,794		
202	Assessment District-Capital Projects	1,636,433	102	1,636,535	2,720,871		
220	RDA-LB Bond Authority	-	-	-	32,177		
221	RDA-Poly High	686,104	217,934	904,038	810,889		
222	RDA-West Beach	1,548,081	763,446	2,311,527	2,554,670		
223	RDA-West Long Beach	18,757,235	3,140,008	21,897,243	21,018,161		
224	RDA-Downtown	17,520,591	8,259,515	25,780,106	22,510,135		
225	RDA-Project Income	3,815,124	-	3,815,124	2,886,830		
227	RDA-Los Altos	278,012	411,656	689,668	762,343		
228	RDA-Central	6,381,567	7,870,552	14,252,119	11,892,179		
230	RDA-North	15,368,599	22,123,846	37,492,445	43,463,912		
232	RDA-Housing	22,391	29,388,794	29,411,185	31,428,920		
301	Gas Revenue	1,547,662	655,500	2,203,162	3,470,113		
303	Gas Prepaid	17,641,046	27,829,972	45,471,018	17,256,917		
310	Water	26,015,526	20,000	26,035,526	14,159,628		
311	Sewer	3,730,618	3,164,925	6,895,543	3,214,816		
320	Airport	29,724,915	2,258,260	31,983,175	21,855,813		
330	Refuse/Recycling	24,641,134	3,000	24,644,134	26,342,882		
331	SERRF	35,758,073	-	35,758,073	41,239,363		
339	SERRF JPA	98,900	11,308,836	11,407,736	12,932,421		
340	Towing Operations	967,755	3,700	971,455	193,348		
380	Civic Center	6,856,137	3,579,893	10,436,030	11,383,344		

ATTACHMENT I

POOLED AND NON-POOLED CASH AND INVESTMENT BALANCES BY FUND AT SEPTEMBER 30, 2009 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008 (Continued)

Fund #	Name of Fund	Pooled 9/30/2009	Non-Pooled 9/30/2009		Total at 9/30/2009		Total at 9/30/2008		
385	General Services	\$ 7,905,302	\$	3	5,000	\$	7,910,302	\$	5,236,304
386	Fleet Services Fund	11,359,185			2,917,533		14,276,718		12,015,326
390	Insurance	18,507,389			61		18,507,450		16,675,686
391	Employee Benefits	65,178,454			-		65,178,454		65,696,431
401	Tidelands Operations	46,877,537			16,405,765		63,283,302		62,284,524
403	Tidelands-Marina	10,322,474			15,600		10,338,074		7,006,926
410	Queen Mary	2,454,551			-		2,454,551		3,645,802
411	Tidelands Operating - Rainbow Harbor Area	3,415,060			4,565,287		7,980,347		7,730,864
420	Tidelands Oil Revenue	38,553,837			3,000		38,556,837		63,534,242
421	Tidelands Reserve - Subsidence	164,027,614			2,174,602		166,202,216		162,699,055
430	Harbor - Operations	495,100,960			35,000		495,135,960		560,984,166
432	Harbor Debt Service	411,353,018			53,823,268		465,176,286		451,516,692
440	Expandable Trusts	1,036,202			-		1,036,202		1,027,675
451	ICTF JPA	12,009,045			-		12,009,045		4,402,258
452	Earthquake Assessment Agency Funds	1,829,491			-		1,829,491		1,596,445
453	Other Special Assessment	1,288,333			-		1,288,333		2,142,582
455	Other Agency	2,958,744			1,500		2,960,244		3,360,399
460	Los Cerritos Wetlands Authority	-			64,112		64,112		17,584
470	Agency Special Assessment CFD #5 LB Towne Center	1,015,327			1,268,656		2,283,983		2,241,701
471	Agency Special Assessment LBBFA Local Agency	-			676,689		676,689		873,985
472	Agency Special Assessment CFD#6 Pike Public Improvement	60,203			5,280,418		5,340,621		5,247,523
473	Agency Special Assessment - Douglas Park	 215,849	_		2,312,148		2,527,997		9,964,568
TOTAL	CASH AND INVESTMENTS	\$ 1,696,158,012	* <u>\$</u>	5 2	234,692,840	\$	1,930,850,852	\$ 1	1,954,098,606

^{*} 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 SEPTEMBER 30, 2009 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008

	Pooled Non-Pooled 9/30/2009 9/30/2009			Total 9/30/2009	Total 9/30/2008		
CASH:	 	-		-		· -	
Cash in Banks	\$ 6,400,688	\$	637,291	\$	7,037,979	\$	41,269,845
Cash with Fiscal Agents	 		68,369,705	_	68,369,705	**	183,205,542
	\$ 6,400,688	\$	69,006,996	\$	75,407,684	\$	224,475,387
INVESTMENTS:							
U.S. Treasury Bills	\$ 712,333,128	\$	-	\$	712,333,128	\$	-
U.S. Treasury Notes	217,791,753		58,866,541		276,658,294		55,816,625
Federal Farm Credit Bank	20,823,066		-		20,823,066		92,999,207
Federal Home Loan Bank	102,848,346		17,648,998		120,497,344		477,696,353
Federal National Mortgage Association	236,778,872		13,325,866		250,104,738		359,103,202
Federal Home Loan Mortgage Corporation	231,861,727		4,550,312		236,412,039		359,571,111
Medium Term Notes	-		-		-		84,152,097
Local Agency Investment Fund (LAIF)	-		-		-		160,844,517
Guaranteed Rate Managed Account (GRMA)	164,666,658		-		164,666,658		-
Money Market	-		3,164,925		3,164,925		69,931,057
Certificates of Deposit	-		10,000,000		10,000,000		10,019,583
Guaranteed Investment Contracts	-		55,964,758		55,964,758		54,197,318
Special Assessment Bonds	-		1,634,444		1,634,444		1,542,540
Municipal Bonds	-		530,000		530,000		857,730
Savers Loan	 2,653,774		-		2,653,774		2,891,879
Total Investments	\$ 1,689,757,324	\$	165,685,844	\$	1,855,443,168	\$	1,729,623,219
TOTAL CASH AND INVESTMENTS	\$ 1,696,158,012	\$	234,692,840	\$	1,930,850,852	\$	1,954,098,606

^{**} For the fiscal year ending 9/30/09, the investment portion of Cash with Fiscal Agents was reclassified from Cash to the appropriate investment type. This reclassification decreased the balance in Cash with Fiscal Agents compared to the prior year.