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OFFICE OF THE CITY AUDITOR
Long Beach, California

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,

A handwritten signature in cursive script that reads "Laura L. Doud".

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

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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, 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	<u>234,692,840</u>
Total Cash and Investments	<u>\$ 1,930,850,852</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, 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 Stabilization	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	\$ 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	\$ 234,692,840	\$ 1,930,850,852	\$ 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**

	<u>Pooled</u> <u>9/30/2009</u>	<u>Non-Pooled</u> <u>9/30/2009</u>	<u>Total</u> <u>9/30/2009</u>	<u>Total</u> <u>9/30/2008</u>
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
	<u>\$ 6,400,688</u>	<u>\$ 69,006,996</u>	<u>\$ 75,407,684</u>	<u>\$ 224,475,387</u>
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	<u>\$ 1,689,757,324</u>	<u>\$ 165,685,844</u>	<u>\$ 1,855,443,168</u>	<u>\$ 1,729,623,219</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 1,696,158,012</u>	<u>\$ 234,692,840</u>	<u>\$ 1,930,850,852</u>	<u>\$ 1,954,098,606</u>

** 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.