



OFFICE OF THE CITY AUDITOR
Long Beach, California

C-6

LAURA L. DOUD, CPA
City Auditor

January 19, 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 June 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 June 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 June 30, 2009

January 2010



Audit Staff

City Auditor: Laura L. Doud
Assistant City Auditor: James Johnson
Deputy City Auditor: Janet Day
Senior Auditor: Zadie Cannon
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 June 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 June 30, 2009, the City's cash and investment portfolio totaled approximately \$2 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 June 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 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 June 30, 2009.

We performed the following procedures in our audit:

- Inquire of management personnel to determine if there was any changes in 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 June 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 June 30, 2009 to the City's general ledger.
- Analyzed the bank account and investment reconciliations as of June 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 June 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 June 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.).

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 June 30, 2009, 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 June 30, 2009 are summarized as follows:

Pooled Cash and Investments	\$ 1,770,574,736
Non-Pooled Cash and Investments	<u>227,725,522</u>
Total Cash and Investments	<u>\$ 1,998,300,258</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 June 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 and the City's Investment Policy.

MANAGEMENT COMMENTS

Management concurs with the report findings.

ATTACHMENT I

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

Fund #	Name of Fund	Pooled 6/30/2009	Non-Pooled 6/30/2009	Total at 6/30/2009	Total at 6/30/2008
100	General Fund, General	\$ 93,171,784	\$ 4,168,024	\$ 97,339,808	\$ 114,549,936
103	General Fund, Library	1,282,824	20,705	1,303,529	(5,747,147)
105	General Fund, Parks and Recreation	4,569,948	2,211,158	6,781,106	(198,362)
110	Budget Stabilization	9,000,000	-	9,000,000	-
120	Special Revenue, General Grants	4,509,516	-	4,509,516	7,100,931
121	Special Revenue, Police & Fire	867,932	-	867,932	2,240,562
130	Special Revenue, Health	(1,303,694)	10,650	(1,293,044)	(1,148,622)
131	Special Revenue, CUPA	561,857	-	561,857	358,520
132	Special Revenue, Parking & Business	906,664	-	906,664	893,790
133	Special Advertising & Promotion	280,895	281	281,176	1,360,123
134	Special Revenue, Upland Oil	10,698,409	-	10,698,409	3,978,015
135	Housing Development	50,198,435	11,717	50,210,152	45,766,520
136	Belmont Shore Parking Meters	663,106	39,491	702,597	638,164
137	Planning & Building Department	3,289,213	-	3,289,213	3,040,019
149	Special Revenue, Business Assistance	487,197	-	487,197	1,500,374
150	Community Development Grants	155,606	14,898	170,504	2,232,622
151	Housing Authority	11,988,204	99,777	12,087,981	18,653,358
180	Special Revenue, Park Development	79,025	-	79,025	496,191
181	Gas Tax Street Improvement	8,920,012	-	8,920,012	4,579,213
182	Special Revenue, Transportation	37,921,632	-	37,921,632	43,740,640
201	Capital Projects	15,530,748	18,162,469	33,693,217	37,711,388
202	Assessment District-Capital Projects	2,515,726	102	2,515,828	2,698,341
220	RDA-LB Bond Authority	-	31,555	31,555	31,798
221	RDA-Poly High	925,351	217,561	1,142,912	1,229,471
222	RDA-West Beach	2,172,560	1,146,096	3,318,656	3,311,030
223	RDA-West Long Beach	21,420,714	3,117,528	24,538,242	25,832,202
224	RDA-Downtown	23,252,273	8,176,584	31,428,857	28,150,476
225	RDA-Project Income	3,989,837	-	3,989,837	2,896,852
227	RDA-Los Altos	485,757	407,967	893,724	1,091,966
228	RDA-Central	10,689,281	9,776,165	20,465,446	18,745,376
230	RDA-North	29,076,236	24,457,058	53,533,294	64,800,195
232	RDA-Housing	20,643	29,819,574	29,840,217	31,528,707
301	Gas Revenue	10,382,818	655,500	11,038,318	11,987,042
303	Gas Prepaid	26,657	17,206,155	17,232,812	-
310	Water	22,414,783	20,000	22,434,783	11,636,593
311	Sewer	3,004,840	-	3,004,840	3,419,130
320	Airport	27,411,364	3,938,026	31,349,390	24,480,927
330	Refuse/Recycling	23,913,286	3,000	23,916,286	24,632,304
331	SERRF	34,907,444	-	34,907,444	38,709,891
339	SERRF JPA	98,563	11,150,775	11,249,338	12,536,206
340	Towing Operations	436,674	3,700	440,374	544,181

**ATTACHMENT I
(CONTINUED)**

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

Fund #	Name of Fund	Pooled 6/30/2009	Non-Pooled 6/30/2009	Total at 6/30/2009	Total at 6/30/2008
380	Civic Center	\$ 9,047,807	\$ 3,581,075	\$ 12,628,882	\$ 12,768,669
385	General Services	7,896,090	3,041	7,899,131	3,519,893
386	Fleet Services Fund	9,548,621	2,871,148	12,419,769	12,582,158
390	Insurance	17,728,162	61	17,728,223	17,099,194
391	Employee Benefits	64,305,221	-	64,305,221	64,985,158
401	Tidelands Operations	41,568,720	14,425,432	55,994,152	59,247,915
403	Tidelands-Marina	11,347,704	15,600	11,363,304	8,050,099
410	Queen Mary	3,434,922	-	3,434,922	1,381,951
411	Tidelands Operating - Rainbow Harbor Area	3,525,453	4,542,397	8,067,850	6,636,398
420	Tidelands Oil Revenue	34,085,929	3,000	34,088,929	75,897,949
421	Tidelands Reserve - Subsidence	162,957,918	2,141,468	165,099,386	162,698,057
430	Harbor - Operations	645,276,335	35,000	645,311,335	651,013,989
431	Harbor - Capital	(106,131,039)	-	(106,131,039)	(86,822,940)
432	Harbor Debt Service	381,902,107	57,050,844	438,952,951	432,702,676
433	Harbor - Clean Air Action Plan	(1,346,748)	-	(1,346,748)	31
440	Expandable Trusts	1,068,959	-	1,068,959	1,054,826
451	ICTF JPA	11,966,930	-	11,966,930	12,400,559
452	Earthquake Assessment Agency Funds	2,003,939	-	2,003,939	1,990,075
453	Other Special Assessment	2,588,997	-	2,588,997	2,500,606
455	Other Agency	2,879,046	1,500	2,880,546	2,716,803
460	Los Cerritos Wetlands Authority Agency Special Assessment DFD #5 LB	-	24,794	24,794	29,813
470	Agency Special Assessmt CFD #5 Long Beach Towne Center	139,395	1,270,593	1,409,988	1,430,951
471	Agency Special Assessment LBBFA Local Agency	-	795,614	795,614	871,058
472	Agency Special Assessment CFD#6 Pike Public Improvements	257,138	3,245,306	3,502,444	3,397,843
473	Agency Special Assessment - Douglas Park	666,393	2,852,133	3,518,526	15,226,686
999	Accrued Interest Receivable	(7,067,383)	-	(7,067,383)	(15,268,289)
TOTAL CASH AND INVESTMENTS		\$ 1,770,574,736 *	\$ 227,725,522	\$ 1,998,300,258	\$ 2,038,121,051

* 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 JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR JUNE 30, 2008**

	<u>Pooled 6/30/2009</u>	<u>Non-Pooled 6/30/2009</u>	<u>Total 6/30/2009</u>	<u>Total 6/30/2008</u>
CASH:				
Cash in Banks	\$ 104,026,492	\$ 641,004	\$ 104,667,496	\$ 11,361,629
Cash with Fiscal Agents	-	161,397,331	<u>161,397,331</u>	<u>191,936,590</u>
	<u>\$ 104,026,492</u>	<u>\$ 162,038,335</u>	<u>\$ 266,064,827</u>	<u>\$ 203,298,219</u>
INVESTMENTS:				
U.S. Treasury Bills	\$ 558,958,972	\$ -	\$ 558,958,972	\$ -
U.S. Treasury Notes	261,832,522	-	261,832,522	84,666,151
Federal Farm Credit Bank	25,553,372	-	25,553,372	112,765,769
Federal Home Loan Bank	121,395,007	-	121,395,007	392,108,267
Federal Home Loan Discount	21,922,483	-	21,922,483	-
Federal National Mortgage Association (FNMA)	179,764,101	-	179,764,101	287,322,477
FNMA Discounts Notes	150,471,136	-	150,471,136	-
Federal Home Loan Mortgage Corporation (FHLMC)	123,519,259	-	123,519,259	408,872,397
FHLMC Discount Notes	149,828,876	-	149,828,876	-
Medium Term Notes	-	-	-	89,421,804
Commercial Paper	-	-	-	224,832,696
Local Agency Investment Fund	-	-	-	144,887,268
Money Market	-	-	-	38,000,000
Certificates of Deposit	-	-	-	10,000,000
Guaranteed Investment Contracts	-	66,254,953	66,254,953	36,477,154
Special Assessment Bonds	-	(567,766)	(567,766)	1,519,564
Municipal Bonds	-	-	-	1,024,726
Savers Loan	2,691,927	-	2,691,927	2,924,559
Guaranteed Rate Management Account (GRMA)	70,610,589	-	70,610,589	-
Total Investments	<u>1,666,548,244</u>	<u>65,687,187</u>	<u>1,732,235,431</u>	<u>1,834,822,832</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 1,770,574,736</u>	<u>\$ 227,725,522</u>	<u>\$ 1,998,300,258</u>	<u>\$ 2,038,121,051</u>