



OFFICE OF THE CITY AUDITOR
Long Beach, California

C-1

LAURA L. DOUD, CPA
City Auditor

January 13, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Long Beach Development Services Cashiering Audit.

DISCUSSION:

The Office of the City Auditor evaluated and reported on the Long Beach Development Services' internal controls over its cashiering operations for the period October 1, 2006 through September 30, 2007.

The attached audit report includes background information, audit objectives, scope and methodology, and findings and recommendations. In addition, a status report of the audit recommendations made in the report dated November 16, 1994, is included in Appendix A of this report.

TIMING CONSIDERATIONS:

This item is not time sensitive.

FISCAL IMPACT:

Approving this action will have no fiscal impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

LAURA L. DOUD, CPA
CITY AUDITOR



**City of Long Beach
Office of the City Auditor**

**Long Beach Development Services
Cashiering Audit Report**

December 2008

Laura L. Doud, CPA
City Auditor

Audit Report

Long Beach Development Services Cashiering Audit

December 2008



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EXECUTIVE SUMMARY

The Long Beach Development Services Department's cashiering operation (Cashiering) is responsible for receiving, collecting, and depositing payments for services, fees, and permits, such as plan check fees, building permits, health permits, fire permits, inspection fees, etc. In fiscal year (FY) 2007, Cashiering processed over \$26.3 million in revenue on behalf of the following departments: Development Services, Financial Management, Public Works, Community Development, Police, and Fire.

The Department's management requested our assistance in evaluating internal controls over Cashiering. The last audit of Cashiering's internal controls occurred in November 1994.

As a result of our audit, we noted several key areas of internal control weaknesses. The following briefly highlights the findings that are addressed in this audit report.

- We identified outstanding interdepartmental receivables totaling \$3.97 million on the Accounts Receivable (A/R) Past Due report that were no longer due.
- Hewlett-Packard (HP) Cashiering System access is inappropriate, compromising system security and data integrity. Our review of the Department's HP cashiering system found the following:
 - 69 retired employees, 64 former employees, and 22 unidentified individuals not on the City's payroll system currently have system access;
 - System access includes nine generic user names that were created for departments such as Community Development, Water Department, Public Works, and Fire Department;
 - Inconsistencies in recording first, last, and user names have resulted in assigning more than one user name for 14 employees; and
 - Cashiers have system access to make changes to customer accounts without appropriate supervisory approval or oversight.
- Additional issues relating to accounts receivable:
 - Accounts receivable policies and procedures are inconsistently followed;
 - Accounts receivable reports are not aged;
 - Customer accounts receivables are not collected in a timely manner. In FY 2007, customer charges totaling \$92,392 were past-due; and
 - Management review of accounts receivable needs improvement.
- Reasons for cancellations are not documented. In FY 2007, there were 134 cancelled transactions totaling \$239,123.
 - There is a lack of written policies and procedures for canceling transactions.

- Segregation of duties for billing, collecting, tracking, and recording payments is inadequate. Mitigating controls to prevent loss, such as supervisory review, are lacking.
- Cash register drawers are inadequately secured; keys are left unattended in cash register drawers.
- Refund policies and procedures are not consistently followed.
- Cashiers do not have a comprehensive cashiering manual that entails all their job responsibilities, including updated cashiering policies and procedures.

An audit report issued in 1994 identified several of the same internal control weaknesses over the cashiering function. The findings, recommendations, management responses, and current status are addressed in Appendix A.

Other Comments

During our audit procedures, we reviewed the HP System and Cashiers for Windows to determine the appropriateness of system access. However, subsequent to our fieldwork, the Department replaced both systems with the Hansen System and iNovah System. Although our findings relate to the original cashiering systems, we recommend that Management implement controls that were lacking in the original systems, including periodic reviews of system access to ensure that employee access is appropriate.

BACKGROUND

The cashiering operations of the Long Beach Development Services Department (Department) was formerly known as the Planning and Building Department. There are two full-time Customer Service Representatives (cashiers) that are involved in the daily cash handling operations and there is one back-up cashier. The cashiers report to the Chief Building Inspector and the Engineering and Development Services Officer. The job responsibilities of the cashiers include the following:

- Cashiering;
- Daily reconciliation;
- Preparing deposits to Central Cashiering;
- Posting transactions into the City's Financial Accounting and Management Information System (FAMIS);
- Processing accounts receivable, including receiving and processing payments, updating accounts, and handling past due accounts;
- Billing, posting, and processing of interdepartmental Journal Vouchers (JVs); and
- Processing returned checks.

Both cashiers are trained to perform all cashiering duties and they alternate in completing daily reconciliations and deposit tasks. However, one cashier is primarily responsible for processing accounts receivable and returned checks.

In FY 2007, the Department processed 21,789 transactions totaling \$26.3 million in revenue, of which approximately \$718,000 was in cash. The Department receives revenues for various City services, fees, and permits, including, but not limited to, plan check fees, business license fees, health permits, fire permits, building permits, building reviews, code enforcement fees, inspection fees, and mechanical and electrical reviews. Collections are also made on behalf of other departments, such as Financial Management, Public Works, Community Development, Police, and Fire.

As a convenience to their customers, the Department provides for licensed contractors and corporations with 25 or more transactions per year to charge services on account, resulting in customer accounts receivables. In addition, the Department established interdepartmental accounts receivables for various City departments including Public Works, Community Development, and the Harbor Department. In FY 2007, \$1.8 million in total was charged to accounts receivable, of which \$1,020,000 was charged to customer accounts and \$780,000 to interdepartmental accounts.

During our audit procedures, we reviewed the HP System and Cashiers for Windows to determine the appropriateness of system access. The HP System was the cashiering system used to record most of the transactions processed by the Department. The Cashier for Windows was used for all other transactions, such as business license fees, copy fees, computer report fees, zoning map fees, and publication fees. The two systems did not interface. In order to capture all the revenues received in the Cashier for Windows, the cashiers had to print out a report from the system and then manually

input the amount of revenue received into the HP System at the end of each business day. However, subsequent to our fieldwork, the Department replaced both systems with the Hansen System and iNovah System. Although our findings within the body of this report relate to the original cashiering systems, we recommend that Management implement controls that were lacking in the original systems, including periodic reviews of system access to ensure that employee access is appropriate.

OBJECTIVES

The objectives of our audit were to evaluate Long Beach Development Services' internal controls regarding its cashiering policies and procedures and to provide management with an assessment of the adequacy of the internal controls over the Department's cashiering practices.

SCOPE AND METHODOLOGY

The scope of our audit included reviewing the Department's cashiering policies and procedures related to the receiving, recording, safeguarding, and depositing cash and cash equivalents. In addition, we reviewed the Department's refund and accounts receivable practices. We analyzed transactions during fiscal year 2007, from October 1, 2006 through September 30, 2007.

Our audit also included a separate review to determine whether prior audit recommendations, which were issued in the November 16, 1994 audit report, have been implemented. The findings are included in Appendix A of this report.

To gain an understanding of the Department's cashiering practices, we performed the following work:

- Conducted interviews of key personnel;
- Observed the cashiers daily operations and performed a walk-through of the cashiering processes;
- Reviewed the Department's current cashiering policies and procedures;
- Reviewed and documented system controls related to permitting, cashiering, and accounting for cash;
- Reviewed and assessed the Department personnel's system access for appropriateness;
- Tested daily cash receipts records and reports for completeness and accuracy;
- Tested refunds and voids for adherence to policy and procedures;
- Reviewed current accounts receivable policies and procedures and performed transaction testing; and
- Reviewed previous audit report on the cashiering operation and determined whether prior recommendations have been implemented.

Management did not provide certain requested documents and provided certain other documents in an untimely manner. Communication with management regarding the provision of these documents significantly delayed our testwork, and ultimately delayed the issuance of our audit report.

We conducted this performance 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.

AUDIT RESULTS

Finding #1: Internal Control Weaknesses Related to Accounts Receivable

The following internal control weaknesses were found during our review of accounts receivable (A/R):

Lack of Review and Resolution of Interdepartmental Accounts Receivable

Based on the 1994 Accounts Receivable Policies and Procedures, payments for accounts receivable should be received within the time specified, which is stated on the A/R letter as being within two weeks from the date of the letter. We found that the majority of City departments did not pay their bills within the 2-week period or made partial payments instead of paying the full balance due.

During our review of the A/R Past Due report, we found the following outstanding accounts receivables were incorrectly reported for the past four years:

Account	Last Charge	Balance
City Place Traffic Fees	06/14/04	\$1,865,786
Queensway Bay /E. Zeller	06/28/04	\$2,104,995
Total		\$3,970,781

Details of the above accounts are presented below:

City Place – Traffic Fees

An Owner Participation Agreement was entered on September 12, 2000, between the Redevelopment Agency (RDA) of the City of Long Beach and Coventry Long Beach Plaza, LLC. According to the Agreement, the City of Long Beach will be responsible for the payment of the first \$2,000,000 of the traffic

impact fees incurred, and Coventry Long Beach Plaza, LLC will be responsible for any traffic impact fees incurred thereafter.

The full payment of \$2,000,000 was transferred through a journal voucher from the business tax license reserve fund to the general fund in September 2002. Based on documents provided by the Department, the traffic impact fees incurred totaled \$1,865,786, \$134,214 less than the City's obligatory payment of \$2,000,000. Therefore, the balance of this account in the A/R Past Due report should have been (\$134,214), rather than \$1,865.786.

Additional information was requested to determine whether an adjustment was made for the difference between the actual fees incurred and the payment made. We also inquired as to why an outstanding balance for City Place still remained on the A/R Past Due report if payment was made. Management did not provide clarifications for these issues; therefore, these items are outstanding and need to be addressed by Management.

Queensway Bay/Eugene Zeller

A Promissory Note was entered on February 1, 2000 between the RDA and the City of Long Beach. Per the promissory note, \$1,530,462 of municipal fees for the Queensway Bay Project will be deferred and repaid by the Redevelopment Agency on June 18, 2010 from tax increment revenues generated by the project.

Based on documents provided and discussions with Management, the Eugene Zeller account was identified as part of the Queensway Bay Project. We requested all invoices for both the Queensway Bay and Eugene Zeller accounts, which totaled \$2,104,995, and reconciled the invoices to the A/R Transactions History Report. The following four issues resulted from our reconciliation:

1. The total outstanding A/R balance for Queensway Bay and Eugene Zeller is approximately \$574,533 above the amount covered by the Promissory Note.
2. There were credits applied to the account totaling \$358,983 with no supporting documents.
3. Five charges totaling approximately \$40,618 did not have supporting invoices.
4. We inquired how the \$574,533 in excess charges, not covered by the Promissory Note, would be paid and whether the credits applied to the account were actual payments or write-offs. We also requested the five missing invoices and clarification for the charges.

Management did not provide the requested invoices or clarifications for these issues; therefore, these items are outstanding and need to be addressed by

Management. For further information regarding these documents, refer to the Scope and Methodology section of this report.

As part of its Management's Response to this audit report, management provided clarification and support for this issue as follows:

- The Office of the City Auditor opined in October 2002 that the City was responsible for payment of the project's permit fees in the entirety. These fees were estimated at \$1.4 million, but ultimately totaled \$2.1 million;
- The Office of the City Auditor further opined that RDA limited its reimbursement obligation to the City to \$1,530,462. That reimbursement was scheduled to commence in June 2010; and
- In April 2004, by mutual agreement of the parties, RDA satisfied its full obligation to the City by making an early discounted payment of \$1.3 million.

As such, the balance on the A/R Past Due Report should have been zero, rather than \$2,104, 995.

Certain Customer Accounts Receivable Are Not Collected in a Timely Manner

The Department's policy states that payments of customer accounts receivable must be paid within the time specified, which is stated on the bill as being within 2 weeks of the date of the bill. According to the cashier, bills are sent out within the first three days of the beginning of each month.

We reviewed the A/R Transaction History Report for the audit period October 1, 2006 through September 30, 2007, to determine whether customer payments were made on a timely basis. We analyzed each customer's monthly account charges and payments and documented instances in which payments were not received by the 15th of the billing month.

Of the total \$1 million in FY 2007 A/R customer charges, there were 65 charges totaling approximately \$92,392, or 9%, that were not paid timely by accounts receivable customers. Details are as follows:

Days Past Due	Number of Charges	Total Amount Past due
15 - 30	34	\$ 25,399
31 - 60	21	\$ 48,851
Over 60	10	\$ 18,142
Total	65	\$ 92,392

We also identified four accounts with charges that were at least six years past due. According to City's Administrative Regulation AR21-2 Processing, Collecting and Disposing of Damage Claims and Delinquent Accounts Receivable, "If a department has been unsuccessful in obtaining collection on an account, it will be deemed delinquent thirty days after the billing date or the due date if the due date is stated on

the bill.” Delinquent accounts of \$25 or less should be forwarded to the Director of Financial Management for authorization to write off the accounts receivable balance. Delinquent accounts in excess of \$25 should be forwarded to the Collection Services Section of the Financial Services Division. Subsequent to our review, one account was sent to collections and four accounts were in the process of being written off.

Although only a small percentage of revenues were received in an untimely manner, periodic management reviews should be performed to prevent any further non-compliance with established policies.

Inadequate Segregation of Duties and Supervisory Review

Segregation of duties are controls that represent the separation of incompatible business duties or responsibilities. Proper segregation of duties help to ensure that one person is not able to cause inaccurate or incomplete recording of financial information, to conceal errors or irregularities, or to commit fraud, theft or other illegal acts.

Currently there are inadequate segregation of duties in regards to accounting for accounts receivable. One cashier is in charge of billing the customers, collecting and tracking payments, recording revenue, and updating the accounts. Further, there is no supervisory review of accounts receivable. Inadequate segregation of duties, along with lack of compensating controls such as supervisory oversight, increases the opportunities for misappropriation of assets. This is a repeat finding from the prior audit report.

Inappropriate System Access

Segregation of duties controls in computerized systems represents the separation of incompatible system access to mitigate errors, irregularities, fraud, theft or other illegal acts. Examples of incompatible system access include 1) the ability to add vendors and control payments; 2) to input and approve transactions; and 3) to input employee record changes and process payroll.

The cashiers have the ability to access customer accounts in the HP System and make changes to customer accounts such as the billing address, customer license information, the ability to change customers’ account status from regular to accounts receivable customers or vice versa, and credit customers’ accounts. As mentioned above, these types of system access, along with the lack of segregation of duties without proper mitigating controls, increase the opportunities for misappropriation of assets.

Accounts Are Not Aged

The monthly accounts receivable past due reports received from Technology Services Department are not aged, making it difficult to identify and track past due accounts. Accounts receivable aging is a valuable component of being able to maintain oversight over the flow of revenue into the City. Aging accounts into 30, 60, and 90 days helps management to take appropriate collection action based on the level of the delinquency of the account.

This is a repeat finding from the prior audit report.

Recommendations:

- Follow-up on the outstanding issues surrounding City Place, Queensway Bay and Eugene Zeller:
 - Determine why outstanding balances remained on the A/R Past Due report when payment was made; and
- Perform periodic reviews of accounts receivable to include monitoring past due accounts.

- Reconcile checks received to the revenue posted into FAMIS.

- Send delinquent accounts to collections and record the transfer of account balances to collections in accordance with the City's Administrative Regulation 21-1.

- Perform periodic reviews of interdepartmental accounts receivable, including review of past due accounts and accuracy of outstanding account balances.

- Segregate billing and cash receipt duties and/or implement mitigating controls such as periodic reviews of accounts receivable. Implement the department's policy of having a supervisor perform surprise audits every three months. In addition, someone other than cashiering personnel should bill and track payments. Further, someone independent of cash receipting should maintain a log of all checks received.

- Remove cashiers' ability to modify and change accounts receivable customer information and account status or consider implementing an audit trail feature that will track changes made to accounts under the new cashiering system.

- Work with Technology Services to develop an accounts receivable report to age the accounts (i.e. 30, 60, 90 days).

Finding #2: Cashiering System Access Not Reviewed by Management

A list of employees with current access to the Department's HP cashiering system was compared with the City's payroll system to determine whether access was appropriate. Our review found that the following individuals currently have access to the HP cashiering system: 69 retired employees, 64 former employees and 22 unidentifiable individuals who were not found on the City's payroll system. In addition, it appeared that the system access list included nine generic user names that were created for departments such as Community Development, Water Department, Public Works, and Fire Department. Furthermore, inconsistencies in recording first, last, and user names have resulted in assigning more than one user name for 14 employees. Lack of review of the cashiering system access could result in unauthorized individuals having access, cashiering system errors, irregularities, fraud and abuse.

Recommendations:

- Remove access for former employees immediately.
- Conduct periodic reviews of system access to ensure that employee access is appropriate.

Finding #3: Cash Register Drawers Are Inadequately Secured

The keys to the cash register drawers are left unattended in the keyholes of the cash drawers when the cashiers leave the front counter to perform other duties. In one instance, we observed that the keys were left hanging in the keyholes while both cashiers attended a department meeting. There were customers waiting in line and no one behind the counter. This practice makes it easy for someone to take money from the cash drawers. This is a repeat finding from the prior audit report.

Recommendation:

- Secure cash drawer keys at all times during business and non-business hours.

Finding #4: Inadequate Policies and Procedures

Accounts Receivable Policies and Procedures

The accounts receivable policies and procedures we obtained from management have not been updated since December of 1994. Cashiers do not have copies of accounts receivable policies and procedures to perform accounts receivable receipting, collecting, and recording functions.

We found inconsistencies between the current procedures being performed by the cashiers and the written procedures obtained from management. For instance, the department's accounts receivable policy states that payment must be made within 10 days of receipt of the bill. However, the billing notices sent to customers state that payment must be received within two weeks from the date of the bill.

The Department's accounts receivable policies and procedures and our observations are summarized in Appendix B.

Furthermore, there are no written policies or procedures in place for the handling of interdepartmental accounts receivable.

Lack of written policies and procedures results in inconsistencies in authorizing and processing accounts receivable. It may also result in potential delays in the collection of outstanding amounts.

Cashiering Policies and Procedures

Neither cashier has received formal cash handling training. One cashier does not have a policies and procedures manual, and the other cashier has incomplete and outdated policies and procedures.

We also found inconsistencies between the current procedures performed by the cashiers and the written policies and procedures. Policies and procedures are necessary to ensure that work performed is consistent and in accordance with the department's guidelines. This is a repeat finding from the prior audit report. A summary of the cashiering policies and procedures and our observations is presented in Appendix C.

Refund Policies and Procedures

For FY 2007, the Department issued 150 refunds totaling \$121,506. In order to determine whether refunds issued were in compliance with policies and procedures, we selected a sample of 25 refunds and found the following:

- Long Beach Municipal Code Section 3.48.040 requires City Attorney approval for refunds greater than \$1,000. No City Attorney approval was found on the direct payment forms of two refunds that were issued for greater than \$1,000; and
- Two refunds were processed for refund applications exceeding 180 days of permit purchase, which is against Department policy.

Recommendations:

- Provide formal cash handling training for the cashiers.
- Ensure that policies and procedures covering all duties pertaining to accounts receivable are updated and provided to each cashier.
- Establish written policies and procedures for interdepartmental accounts receivable.
- Update cashiering policies and procedures to reflect current practices.
- Ensure that each cashier has a complete cashiering manual that entails all job duties performed, and have cashiers sign a document acknowledging receipt of written cashiering policies and procedures, and agreement to follow them.
- Ensure that Department and City refund policies and procedures are followed.
- Obtain proper City Attorney approval for all refunds processed over \$1,000.

Finding #5: Reasons for Cancellations Are Not Consistently Documented

In FY 2007, there were 134 cancelled transactions totaling \$239,123. Management is authorized to approve and cancel a transaction; however, reasons for canceling a transaction are not consistently documented. Lack of documentation could result in transactions that are cancelled improperly. According to Management, some reasons for cancellations include the following: customer did not have funds for the project, the incorrect check amount was written, customer changed his/her mind, or customer decided to perform other work. When a transaction is cancelled, an "X" is marked on the receipt and retained with the cashier's daily work with no explanation documented on the receipt or in a log. Transactions can only be cancelled the same day the transaction was processed.

Policies and Procedures for Cancelled Transactions

There are no written policies and procedures for cancelled transactions.

Recommendations:

- Establish written policies and procedures for cancelled transactions.
- Document the reason for each cancellation on the customer's receipt or in a log and initial and date to ensure reasons for cancellations are valid. In addition, proper periodic reviews of these cancellations and explanations should be performed by the supervisor of the person processing the cancellation.

Appendix A – Status of Prior Audit Recommendations

On November 16, 1994, the City Auditor's Office issued an audit report titled *Planning and Building Cash Internal Controls*. The audit was conducted as a result of a theft committed by an employee who worked in the department as a cashier. Over a two-year period, the employee misappropriated approximately \$200,000. The scheme went undetected due to inadequate segregation of duties, lack of management oversight, and no reconciliation of the HP System Report to FAMIS.

The 1994 audit report identified the following internal control weaknesses:

- No formal written cash reconciliation;
- Cash reconciliation and deposit preparation were performed the next business day instead of at the end of the business day;
- Two cashiers shared one cash drawer, and the key to the cash drawer was kept in a drawer next to the cash drawer;
- No formal policies and procedures for approving customer accounts receivable and handling bad debts, no standard application or credit verification forms for accounts receivable applicants, no segregation of duties in regards to accounts receivable billing and payment tracking, and no aging of accounts receivable;
- No reconciling of revenue and cash receipts to the City's accounting system; and
- No formal written collection and deposit policies and procedures.

The details of the prior audit findings, recommendations, and management's responses, along with the current status of the recommendations, are summarized below.

Finding #1: Cash Reconciliations

Cashiers did not prepare formal written cash reconciliations.

Recommendations:

Prepare formal reconciliations of cash tendered each day that lists the following:

- Beginning cash balance;
- Cash, coin, checks and credit collected;
- HP system totals of cash, coin, checks and credit posted;
- Deposit Receipt total; and
- Any variance between Deposit Receipt total and System total along with a written explanation of the variance.

The cashier preparing the reconciliation signs the reconciliation. The Supervisor performs a summary review of every reconciliation and signs every reconciliation. We recommend that the Supervisor also maintain a log of daily variances.

The Supervisor should perform surprise cash reconciliations. Additionally, both the Supervisor and the cashier should initial and date the Deposit Receipt and HP System Report. A copy of the Deposit Receipt and the original HP System Report should be retained in the "Daily Auditor's Copy" package.

Appendix A – Status of Prior Audit Recommendations Continued

Management's Response:

We agree with your recommendation that our cashier prepare formal reconciliations of cash tendered each day. With assistance from your staff, a form has been developed which captures the specific information requested, and is prepared by each cashier for that cashier's cash drawer. The supervisor verifies and signs a summary reconciliation form for each daily deposit, which is a consolidation of the individual cashier reconciliation forms. The supervisor also notes daily variances, and enters this information into a log. The log allows us to calculate monthly and year-to-date variances, and to identify potential problem areas. Variances of \$20 or more require a written explanation which is directed to the Operations Officer, the manager who oversees the DSC and filed in the notebook with the variance log.

We also agree that the supervisor should perform surprise cash reconciliations, and we will begin doing those on a monthly basis, with written documentation on file.

Lastly, per your recommendation, we are also requiring the supervisor and cashier to initial and date the Deposit Receipt after the daily deposit is made, the HP System Report, and the summary reconciliation form.

Current Status:

The following recommendations were implemented:

- Formal written cash reconciliations are prepared each day, signed by the cashier, and reviewed and signed by a supervisor.
- A supervisor maintains a log of daily variances and supporting documents for those variances.

The following recommendation was not implemented:

- According to management, surprise cash reconciliations have not been performed for the last two years.

The following recommendation was partially implemented:

- The supervisor is initialing the Deposit Receipt and HP System Reports; however, it is not dated, and the cashiers are not initialing or dating these reports.

Finding #2: Timeliness of Cash Reconciliations and Deposits

At the close of each business day, the cashier closes out the cash register and locks the uncounted cash drawer in a safe. The cashier performs a cash reconciliation and prepares a deposit receipt the next morning for the previous days business transactions and on Monday morning for Friday close of business.

Appendix A – Status of Prior Audit Recommendations Continued

Recommendation:

To ensure accountability, the cashier should reconcile and balance cash at the close of business each day or at the end of their shift.

Management's Response:

We understand the intent of this recommendation and agree that ideally the cashier should reconcile and balance the cash at the close of each business day or at the end of their shift. Unfortunately, it is not possible to implement this recommendation, as the process of reconciliation and balancing can only be done at the close of business. This would require regular overtime or reduced service hours at our public counter.

Current Status:

Management did not implement the recommendation due to the fact that it would require regular overtime or reduced service hours at the counter.

Finding #3: Cash Collections Accountability

Only one cash drawer is in use that consists of a lockable counter drawer separate from the cash register. Two cashiers use the drawer during the day. Additionally, the key to the cash drawer is often kept in a drawer next to the cash drawer.

Recommendations:

The Department should use separate cash drawers for each cashier or some other means of controlling accountability of collections to each cashier (i.e., login code unique to cashier with a separate cash drawer if only one register is used). The cashier responsible for cash in the drawer should keep the key in his possession during work hours.

Management's Response:

We agree that each cashier should have a separate cash and unique logon code, to increase accountability for each individual employee. We have installed two additional cash drawers, and require each cashier to utilize only his designated cash drawer. In addition, we have developed unique logon codes on both the HP system and the manual cash register. This allows us to track the amounts of cash and checks taken in by each individual cashier, and to compare the amounts recorded in the HP system against those tracked by the cash register.

Current Status:

The following recommendation was implemented:

- Cashiers have their own separate cash drawers and logon codes.

The following recommendation was not implemented:

- Each cashier is responsible for keeping his own key; however, it is not kept in his possession at all times. We observed instances when keys to the cash drawers were left unattended in the keyholes.

Appendix A – Status of Prior Audit Recommendations Continued

Finding #4: Accounts Receivable

The Department has a policy of allowing a line of credit for some of its larger volume commercial clients. In order to qualify for the credit line, a client makes a letter request to the Department. There is no standard application or credit verification form.

The Operations Officer of the Development Services Center reviews the client's credit request and makes a decision to grant the credit request based on the client's business volume and history with the Department. The Operations Officer issues a credit approval letter to the client and uses the client's State Contractor's License number to set up a receivable account on the HP computer system.

A copy of the approval letter is forwarded to the cashier, who then creates an accounts receivable file for the client. This file contains the approval letter copy, billing and payment receipt copies, accounts receivable reports, and any correspondence. The Cashier is responsible for preparing monthly accounts receivable billings. The policy allows for payment within ten days of receipt of billing (i.e., 30 days plus ten days grace period). The system generates a bi-weekly receivable report that lists total amount receivable by account; however, this report does not age the receivable accounts. Further, there are no formal policies for handling bad debts.

Recommendations:

The Department should consider the necessity of the policy of extending credit to some of its clients. Should the Department deem the extension of credit necessary, we recommend the following:

- Formal policies, procedures and forms for credit application, approval, and bad debt write-off should be developed;
- Personnel other than cashiers should process bills and track payments received by the cashiers; and
- The Department should develop a detailed aged accounts receivable report for management to identify and track delinquent accounts.

Management's Response:

We feel that the customer convenience of the accounts receivable service is an extremely valuable customer service feature which is especially appreciated by our business community. We agree, however, that formal policies, procedures, and forms for credit application, approval and bad debt write-off should be developed. We are currently in the process of developing those written procedures, and have completed an aged accounts receivable report for identifying and tracking delinquent accounts.

We agree that to the extent possible, a separation of duties should occur between various aspects of billing, payments and delinquency tracking. However, one of the main functions of the cashier is to be familiar with each account, as well as process payments. Therefore, we feel that the cashier should process bills and post payments; however, a supervisor will review payments monthly, and track delinquent accounts.

Appendix A – Status of Prior Audit Recommendations Continued

Current Status:

The following recommendation was implemented:

- Policies, procedures, and forms for credit application, approval, and bad debt write-off were developed.

The following recommendations were not implemented:

- An accounts receivable past due report was created; however, it is not aged to allow identification and tracking of delinquent accounts.
- A cashier is responsible for billing, collecting, posting, and tracking accounts receivable. There is no monthly supervisory review of payments or delinquent accounts.

Finding #5: Management Controls

Some of the revenue collected by Planning and Building is for other departments. As a result, revenue totals are not traceable to the City's accounting system. Thus, the Department does not monitor revenue and cash receipts.

Recommendations:

The Department should develop monthly reports comparing Planning and Building Counter revenue by type per the HP system and per actual cash deposits recorded in the City's accounting system. We noted that Department staff is currently working with the Financial Management Department to develop a monthly summary report of Department deposit receipt totals. Management should also review performance by comparing expected (budgeted) revenue to reported revenue, and revenue to building activity. Large discrepancies should be investigated.

Management's Response:

We agree that management audits should be conducted on a regular basis. We do note, however, that comparisons of budgeted revenue to reported revenue is not likely to yield meaningful information due to the relative uncertainty of our revenue stream. Therefore, we have developed other controls which should meet the intent of this recommendation.

Financial Management staff has assisted in the preparation of a monthly report of deposits, which can be compared against the monthly HP system report. The variance between these two reports should match the monthly variance noted in the variance log. A reconciliation of this information would alert management to any discrepancies or potential problems.

We have also developed a semi-annual audit which has been newly assigned to our Administrative Officer, to ensure that the procedures and controls which we have detailed here are adequate and appropriately followed. In addition, the Operations Officer, as well as the Administrative Officer, recently attended a workshop conducted by Financial Management on "Internal Cash Control."

Appendix A – Status of Prior Audit Recommendations Continued

Current Status:

The following recommendation was not implemented:

- Monthly reports of deposits are not compared against the monthly HP system report. In addition, semi-annual audits are not performed as stated in Management's response.

Finding #6: Written Collection Policies and Procedures

The Department does not have formal written collection and deposit policies and procedures.

Recommendations:

Specific collection policies and procedures should be formally documented, approved by management and updated as necessary. The policies and procedures should include:

- Cash handling and balancing techniques;
- Register use and specific deposit procedures including methods and timing;
- Responsibilities by position/function;
- Signature authorities; and
- Management reports issued.

Management should discuss the policies and procedures with staff, and a signed employee file copy should be maintained to document employee understanding of the policies and procedures.

Management's Response:

We agree that specific collection policies and procedures should be formally documented, approved by management and updated as necessary. We are currently developing a desk manual for the cashiering operation, which will include the following:

- Cash handling and balancing techniques;
- Register use and specific deposit procedures including methods and timing;
- Responsibilities by position and function;
- Signature authorities; and
- Management reports issued.

In addition, these policies and procedures will be reviewed with staff, and employee signatures on file copies will be maintained in personnel files for these employees.

Current Status:

The following recommendations were not implemented:

- Policies and procedures are incomplete and outdated.

Appendix A – Status of Prior Audit Recommendations Continued

- Policies and procedures are not reviewed with staff. One cashier has a binder that contains outdated and incomplete policies and procedures, and the other cashier has never received a manual. There is no employee signature on file to document employees' understanding of policies and procedures.

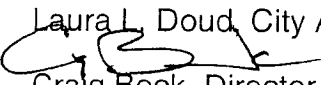
Appendix B – Accounts Receivable Policies, Procedures, and Observations

	ACCOUNTS RECEIVABLE POLICIES AND PROCEDURES	OBSERVATIONS
(1)	The Cashier, after each transaction, shall stamp all copies of the transaction with the accounts receivable stamp.	A/R transactions are not stamped with the accounts receivable stamp.
(2)	Cashier shall file a copy of each transaction in the company file for later verification of the bill.	All A/R charges for one month are placed in a general A/R folder. Each transaction is not filed in the company file until after payment is made.
(3)	When all transactions have been verified, the cashier shall prepare a cover letter to the company and mail all necessary paperwork to the company's mailing address.	Monthly A/R bills are printed by Technology Services, and then verified and mailed by the cashier.
(4)	Upon receipt of payment, the cashier shall post payment to the company using the HP System and stamp "Payment Received" on the file copy of each transaction.	After a payment is received, the file copy of each transaction is not stamped "Payment Received."
(5)	The cashiering supervisor shall review the monthly ARDUE report and determine whether accounts are up-to-date and payments are being received on a timely basis (within 10 days of receipt of bill).	There is no supervisory review of the A/R accounts. In addition, it is difficult to assess if payments are received within 10 days of the customer's receipt of the bill, because bills are not always mailed on the 1 st of the month. There is no record of when bills are mailed.
(6)	If payment is not received within the time limit, the supervisor shall prepare a letter notifying the company of the city's intent to terminate the account.	After approximately 45 days an account is delinquent, the supervisor calls the company and prepares a letter notifying the company of the city's intent to terminate their account.
(7)	The cashiering supervisor shall notify the Operations Officer of any delinquent accounts.	Since there is no supervisory review of the A/R accounts, the cashier is responsible for notifying the Operations Officer of any delinquent accounts, which is usually after 2 months of non-payment.
(8)	The cashiering supervisor shall perform surprise audits of one account every three months.	No surprise audits have been conducted for over two years.
(9)	Upon termination of an account, any outstanding monies not received shall be referred to the City's collection agency. After one year from referral, any money not received for payment on the delinquent account shall be considered to be a write-off as an uncollectible debt.	There are accounts on the ARDUE report that have been delinquent between four to ten years and still have not been written-off as an uncollectible debt.
(10)	The cashiering supervisor shall notify the Operations Officer of an uncollectible debt.	There is no supervisory review. The cashier is responsible for notifying the cashiering supervisor, who then notifies the Operations Officer.
(11)	The Operations Officer shall notify the Director of Long Beach Development Services in writing of an uncollectible debt and request approval to cancel any outstanding charges on the account and clear the books.	The last instance when an account was sent to collections was approximately five to six years ago. The account is manually written off from the HP system after the supervisor has received noticed from Collections that payment will not be collected.

Appendix C – Cashiering Policies, Procedures, and Observations

	CASHIERING POLICIES AND PROCEDURES	OBSERVATIONS
(1)	Request supervisor to open cabinet, which contains safe.	Cabinet to safe does not have a functional lock.
(2)	Cashier opens safe in supervisor's presence.	Cashiers can open safe without the presence of supervisors if both cashiers are present.
(3)	Supervisor removes labeled cash drawers from safe and places into respective labeled drawers. Supervisor shall lock all cash drawers and distribute keys to appropriate cashiers.	Supervisor provides keys to cashiers and cashiers are responsible for taking cash drawers from the safe if both cashiers are present.
(4)	Under no circumstance shall the cash drawer assigned to the responsible cashier be left unsecured.	Cash drawer keys are left unattended in the cash drawer's keyhole.
(5)	<p>Supervisor reviews, compares, and initials all appropriate deposit documents:</p> <ol style="list-style-type: none"> 1) All Quadrant Reports <ul style="list-style-type: none"> ▪ Cash Recap Report Business License; ▪ Journal Detail Report; ▪ Daily Closed Deposit Receipt Summary; ▪ Daily Treasurer's Batch Deposit Receipt; 2) Validated Deposit Receipt <ul style="list-style-type: none"> ▪ Line items and total deposit with validated amounts 3) Daily Green Bar Reports <ul style="list-style-type: none"> ▪ Summary of Fees #R011LON ▪ Valuation reports (#R034LON and #R034ALON) ▪ Bank deposit by cashier (#R016LON) 4) Cash Reconciliation Sheet and Money Transfer Form 	<p>Supervisor's initials were only found on the following documents:</p> <ol style="list-style-type: none"> 1) Validated Deposit Receipt from Central Cashiering 2) Daily Green Bar Report <ul style="list-style-type: none"> ▪ Summary of Fees #R011LON 3) Adding tape of checks received 4) Daily Cash Reconciliation Sheet <p>Only check-marks (no initials) were found on the:</p> <ol style="list-style-type: none"> 1) Deposit Receipt (FAMIS print-out) 2) Daily Treasurer's Batch Deposit Receipt (Billing and Collections report) 3) Cash Recap Report Business License (Cashiering for Windows Daily Report)
(6)	When receiving checks from customer/employee, refer to "bad check" list.	When checks are received, reference is not made to the "bad check" list.
(7)	<p>At the close of the cashier's business day:</p> <ul style="list-style-type: none"> ▪ Run quadrant reports; ▪ 1st cashier places their checks and credit card slips in check box and summons supervisor; ▪ Last cashier places their checks and credit card slips in check box and summons supervisor; ▪ Supervisor transfers cash drawers and check box into the safe; and ▪ Supervisor locks safe and cabinet and secures all keys. 	<p>Procedures at the close of the business day are conducted without the presence of a supervisor:</p> <ul style="list-style-type: none"> ▪ Cashiers place their checks and credit card slips in check box; ▪ Cashiers transfer cash drawer and check box into the safe; ▪ Cashiers lock safe; and ▪ Cashiers return cash drawer keys to supervisor.



Date: October 28, 2008
To: Laura L. Doud, City Auditor
From:  Craig Beck, Director of Development Services
Subject: Response to Cashiering Audit

Thank you for your assistance in evaluating the Department of Development Services' internal controls over its cashiering operations. As you may be aware, two major operational factors have changed within the Department greatly impacting the conduct of business:

1. In FY07, the Department shifted to a special revenue fund called the Development Services Fund (SR137). This fund tracks revenue and expenditures in connection with development operations and collection of fees; and,
2. Hansen, an enterprise-software, is currently being implemented by Technology Services throughout the City to help manage various operations. When the system is fully implemented within the Department of Development Services, which is anticipated to "go live" on October 27, 2009, services will be directly charged to departments.

I have had an opportunity to review the audit and discuss various issues with staff. Listed below is information that addresses the findings identified:

Finding #1:

Internal Control Weaknesses Related to Accounts Receivables

Response #1:

A. Lack of Review and Resolution of Interdepartmental Accounts Receivable

In response to issues surrounding City Place and Queensway Bay/Eugene Zeller:

- a. City Place – A City/Agency Owner Participation Agreement (OPA) with DDR was entered into regarding the payment of the traffic impact fees at City Place. In September 2002, JVPW02004537 (Attachment A) transferred \$2,000,000 from the Business License Reserve to Public Works in payment of the fees.

The outstanding accounts receivable was adjusted to show a zero balance and the Department of Development Services notified the Departments of Financial Management and Public Works regarding the overpayment.

- b. Queensway Bay/Eugene Zeller – On April 1, 2004, JVFM04003884 (Attachment B) in the amount of \$1,300,000 was processed as an early discounted repayment from the Redevelopment Agency (RDA) in compliance with the Promissory Note entered on February 1, 2000 between the RDA and the City of Long Beach. In an email dated October 10, 2002 from Heather Mahood (Attachment C), Assistant City Attorney, “the Agency will only be obligated to repay up to \$1.5 million, and the City will have to absorb the rest.”

The outstanding accounts receivable was adjusted to show a zero balance

B. Some Customer Accounts Receivables Are Not Collected in a Timely Manner

Prior to the implementation of the Department’s secured credit card transaction account, the Department allowed major entities (i.e., Memorial Hospital, Aquarium of the Pacific, etc.) and certain repeat customers to defer payment, and then bill/journal voucher them for outstanding balances at the beginning of each month. On September 8, 2008, a notice (Attachment D) was sent to the “defer payment” customers notifying them that this option would no longer be available effective October 1, 2008.

Finding #2:

Cash Register Drawers are Inadequately Secured

Response #2:

Written policies and procedures will be updated and cashiers will be reminded of the importance of securing the cash register drawers. In addition, formal cash handling training will be arranged for the cashiers, their immediate supervisor(s), and management during the first quarter of FY09.

Finding #3:

Inadequate Policies and Procedures

Response #3:

Accounts Receivable Policies and Procedures

As indicated above in Finding #1.B, deferred payments/accounts receivable will no longer be available effective October 1, 2008.

Cashiering Policies and Procedures

Written policies and procedures will be updated and formal cash handling training will be arranged for the cashiers, their immediate supervisor(s), and management before calendar year-end 2008.

Cancelled Transactions/Refunds

The Department will update its claim form to reflect the provisions of Municipal Code 3.48.060, which stipulates that refunds will be made within one year after payment of the money to the city. In addition, policies and procedures will be developed to ensure consistent practices for handling cancelled transactions and issuing refunds.

Finding #4:

Reasons for Cancellations are not Consistently Documented

Response #4:

Acceptable reasons for canceling transactions will be included in the written Policies and Procedures. In addition, the Department will develop a stamp to mark customer's receipts to ensure consistent reasons for cancellations.

Finding #5:

Cashiering System Access Not Reviewed by Management

Response #5:

The Department is purging former, unidentifiable, and duplicative employees from the existing HP cashiering system. In addition, once the Hansen system has been implemented, the cashiering system (iNovah) will be separate from the permitting system; thereby, restricting access from either systems. Also, only the assigned cashiers will have access to the iNovah cashiering system. Access will be tied to employee's Citywide user logon. Should an employee separate from

Laura L. Doud, City Auditor

October 28, 2008

Page 4

the Department/City and the user logon is rescinded for departmental access or terminated, the employee will no longer have access to the iNovah/Hansen.

Again, your assistance with this audit was greatly appreciated. I will ask Ms. Pon to coordinate with your office to report on the progress and implementation in six months and one year from the date of this report.

Please contact Ms. Pon at 86038 should you have any questions.

Attachments:

- A. Screen Prints of City Place Payment (JVPW02004537)
 - B. Queensway Bay Payment (JVFM04003884)
 - C. Heather Mahood Email
 - D. Notice to Accounts Receivable Customers
- c: Lawrence Brugger, Supt-Building and Safety
Truong Huynh, Engr/Development Services Officer

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FAML6300 V5.1 * * * CITY OF LONG BEACH FAMIS PRODUCTION * * * 09/09/2008
LINK TO: TRANSACTION DETAIL INQUIRY 9:40 AM

DOCUMENT -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT
JVPW02004537 01 12 2002 SEPT 2002 09/09/2002 JONG SANDRA 6630 INITAPPR
-----
TRANS CODE : 412 JOURNAL ENTRY TO RECORD INTERFUND TRANSFER IN
DOCUMENT REF : NOTEPAD : Y
TRANS DESC. : TRANSFER FROM BLT TO GENERAL FUND
AMOUNT : 2,000,000.00 DUE DATE : SINGLE CHECK :
VENDOR NUMBER :
INDEX : XCDSPL PLAZA PARKING FACILITY (DT)
SUBJECT : 861201 OPERATING TRSF FR CP
USER CODE :
GRANT / GR DTL : XCPLOP GA CITY PLACE GARAGE
PROJ / PJDTL :
START DATE : END DATE :
G/L / SUBSID :
BANK NO/ SUBSID :
TREAS NUM :
CURRENCY CODE : CONV DATE : FRGN CURR AMT:

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FAML6300 V5.1 * * * CITY OF LONG BEACH FAMIS PRODUCTION * * * 09/09/2008
LINK TO: TRANSACTION DETAIL INQUIRY 9:40 AM

DOCUMENT -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT
JVPW02004537 02 12 2002 SEPT 2002 09/09/2002 JONG SANDRA 6630 INITAPPR
-----
TRANS CODE : 433 DB TO EXPENDITURE ACCT (PAIR W/TC435 OR TC434) CR CASH
DOCUMENT REF : NOTEPAD : Y
TRANS DESC. : TO PAY TM FEE AMOUNT TO THE TMF FUND
AMOUNT : 2,000,000.00 DUE DATE : SINGLE CHECK :
VENDOR NUMBER :
INDEX : XCDSPL PLAZA PARKING FACILITY (DT)
SUBJECT : 210010 OTHER CONSTRUCTION SERVICES
USER CODE :
GRANT / GR DTL : XCPLOP GA CITY PLACE GARAGE
PROJ / PJDTL :
START DATE : END DATE :
G/L / SUBSID :
BANK NO/ SUBSID :
TREAS NUM :
CURRENCY CODE : CONV DATE : FRGN CURR AMT:

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FAML6300 V5.1 * * * CITY OF LONG BEACH FAMIS - PRODUCTION * * * 09/09/2008
LINK TO: TRANSACTION DETAIL INQUIRY 9:41 AM

DOCUMENT -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT
JVPW02004537 03 12 2002 SEPT 2002 09/09/2002 JONG SANDRA 6630 INITAPPR
-----
TRANS CODE : 435 JOURNAL ENTRY CREDIT TO A REVENUE ACCOUNT
DOCUMENT REF : NOTEPAD : Y
TRANS DESC. : PAY TM FEE AMOUNT TO TMF FEE
AMOUNT : 2,000,000.00 DUE DATE : SINGLE CHECK :
VENDOR NUMBER :
INDEX : PWCIPAF CIP/201/006 TRAFFIC MITIGATION PROGRAM
SUBJECT : 535003 TRANSP IMPACT FEES
USER CODE :
GRANT / GR DTL :
PROJ / PJDTL : PW5170 0000 TRAFFIC MITIGATION PROGRAM
START DATE : END DATE :
G/L / SUBSID :
BANK NO/ SUBSID :
TREAS NUM :
CURRENCY CODE : CONV DATE : FRGN CURR AMT:

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FAMLG300 V5.1 * * * CITY OF LONG BEACH FAMIS - PRODUCTION * * * 09/09/2008
LINK TO: TRANSACTION DETAIL INQUIRY 9:37 AM

DOCUMENT POST PERIOD POST DATE POSTED BY UNIT
JVPW03006224 01 09 2003 JUNE 2003 07/25/2003 SKIDMORE HERSHAL 099 PJT APPR

TRANS CODE : 431 JOURNAL ENTRY CREDIT TO AN INTRAFUND TRANSFER OUT
DOCUMENT REF : NOTEPAD : Y
TRANS DESC : TO TRANSFER EXPENDITURES FROM PWCIPAF TO XCOTTM
AMOUNT : 2,000,000.00 DUE DATE : SINGLE CHECK :
VENDOR NUMBER :
INDEX : PWCIPAF CIP/201/000 TRAFFIC MITIGATION PROGRAM
SUBJECT : 455001 TO GENERAL FUND
USER CODE :
GRANT / GR DTL :
PROJ / PJDTL : PWGP30 0000 BUSINESS LICENSE TRANS 100/TRAFF MIT FD
START DATE : END DATE :
G/L / SUBSID :
BANK NO/ SUBSID :
TREAS NUM :
CURRENCY CODE : CONV DATE : FRGN CURR AMT :
F1 HELP F4 PRIOR F5 NEXT
F9 LINK F11 NOTEPAD F12 APPR HIST
G014 RECORD FOUND

FAML1010 V5.1 * * * CITY OF LONG BEACH FAMIS - PRODUCTION * * * 09/09/2008
NOTEPAD 9:37 AM

ATTACHED TO : DOCUMENT NUMBER : JVPW03006224 01
PAGE : 01 OF 01

TO TRANSFER EXPENDITURES FORM INDEX CODE PWCIPAF TO XCOTTM

F1-HELP F2-TOP F3-COPY LINE F4-AUDIT F5-INS LINE F6-INS PAGE
F7-PRIOR PG F8-NEXT PG F10-SAVE
G014 - RECORD FOUND

JV(RDA-RAINBOW HARBOR)

FAML4010 V5.1 * * * CITY OF LONG BEACH FAMIS - PRODUCTION * * * 04/01/2004
 LINK TO: DOCUMENT HEADER 4:04 PM

NOTEPAD : Y

DOCUMENT CATEGORY : JV JOURNAL VOUCHER (NON-RIMS)
 ENTERED BY : GONZALES HELEN 5024 CC/JV/DR/BR/BUD
 DOCUMENT NUMBER : JVFM04003884 INITIATING DEPT : FMB2D4S2
 INPUT PERIOD (MM YYYY) : 03 2004 MARCH
 VENDOR NUMBER / SUFFIX : APPROVAL TYPE : 15
 VENDOR NAME :
 VENDOR ADDRESS :
 STREET :
 CITY / STATE / ZIP : COUNTRY :
 DBA/ALT NAME :
 BANK NUMBER : TREAS NO :
 DUE DATE : SINGLE CHECK :
 DOCUMENT AMOUNT : 3,165,372.00 CURRENCY CODE :
 NUMBER OF LINES : 8 RESPONSIBLE UNIT :
 TRANSACTION CODE HASH : 3538 TERMS :
 FAML4760 V5.1 * * * CITY OF LONG BEACH FAMIS - PRODUCTION * * * 04/01/2004
 LINK TO: DOCUMENT DISPLAY 4:02 PM

DOCUMENT : JVFM04003884 INPUT PERIOD : 03 2004 AMT : 3,165,372.00

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PST/GST DESCRIPTION											
TRANS AMOUNT											
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			EARLY DISCTD PMT TO CITY OF P/N 2/1/00 ON QWB PROJ						1,159,000.00		
02	435		XCOTFRRDA		768093					N	
			EARLY DISCTD PMT FR RDA OF P/N 2/1/00 ON QEB PROJ						1,159,000.00		
03	433		CDR4OBLCTLD3		410093					N	
			EARLY DISCTD PMT TO TOF OF REIMB AG #DT492/QWB PRJ						141,000.00		
04	435		XCRVQWB		765004					N	
			EARLY DISCTD PMT FR RDA OF REIMB AG #DT492/QWB PRJ						141,000.00		
05	407		JVFM99000753	01	CMQWB			180		N	
			EARLY DISCTD PMT FR RDA OF REIMB AG #DT492/QWB PRJ						141,343.00		
06	404		JVFM99000753	02	CMQWB			180		N	
			EARLY DISCTD PMT FR RDA OF REIMB AG #DT492/QWB PRJ						141,343.00		
07	496		JVFM99000753	03	CDRLTDEBT			355		N	
			EARLY DISCTD PMT FR RDA OF REIMB AG DT492/QWB PRJ						141,343.00		
08	495		JVFM99000753	03	CDRLTDEBT			355		N	
			EARLY DISCTD PMT FR RDA OF REIMB AG DT492/QWB PRJ						141,343.00		

FAML1010 V5.1 * * * CITY OF LONG BEACH FAMIS - PRODUCTION * * * 04/01/2004
 LINK TO: NOTEPAD 4:02 PM

ATTACHED TO : DOCUMENT NUMBER : JVFM04003884
 PAGE : 01 OF 01

EARLY DISCOUNTED REPAYMENT FROM THE DOWNTOWN PROJECT AREA OF
 PROMISSORY NOTE DATED 02/01/00 AND REIMBURSEMENT AGREEMENT #DT492
 DATED 01/26/98 ON QUEENSWAY BAY PROJECT, PER MEMO FROM ROBERT S. TORREZ
 TO MELANIE S. FALLON DATED 02/04/04

HBG
 04/01/04

Prepared by: *[Signature]* 4/11/04 JVFM04003884
 Approved by: *[Signature]* 4/1/04

CDRT 11
 CDRT 11

JVFM04-3884

This leaves the questions about the obligations of tenants, the manner in which this understanding is chronicled and documented, etc. I would appreciate your comments on this, and whether we need to put DDR on notice in this regard (i.e., that we will absorb only the costs of the first development, and will not exempt subsequent changes in tenants to have the fees waived)

Thanks, as always.

Gene

----- Forwarded by Gene Zeller/CH/CLB on 01/27/2003 12:04 PM -----

Gene Zeller

10/10/2002 03:17 PM

To: Fady Mattar/CH/CLB@CLB, Willie Miranda/CH/CLB@CLB, Georgia Richmond/CH/CLB@CLB

cc:

Subject: Re: Pike Project Parking Structure Fees

FYI

----- Forwarded by Gene Zeller/CH/CLB on 10/10/2002 03:14 PM -----



Heather Mahood

10/10/2002 09:56 AM

To: Ruth Shikada/CH/CLB@CLB, Mark Christoffels/PW/CLB@CLB, Gene Zeller/CH/CLB@CLB

cc: Vince Coughlin/CH/CLB@CLB, Reginald Harrison/CH/CLB@CLB

Subject: Re: Pike Project Parking Structure Fees

To All:

I've researched the various City Council approvals regarding this matter and have come up with the following conclusions:

1. The October 5, 1999 City Council letter (which dealt with the financing for the parking structure) specifically states that as one of the subsidies for the project, the City will "[U]tilize future tax increment generated by the project to pay for City and Water Department permit fees (est. \$1,400,000)." Notice that the language merely estimated the number at \$1.4 million-- it was not capped at that figure. Therefore, with regard to the City's deal with DDR, the City has agreed to pay all such fees for the project, and no exception was made for the parking structure.
2. In the January 25, 2000 City Council letter, which dealt with the arrangement between the City and the Agency, the Agency specifically capped its obligation at \$1,530,462 for repayment of the City pursuant to the promissory note.
3. Therefore, the bond proceeds cannot be used for the permit fees on the garage, since the City agreed to pay them out of other sources. The City should defer them, but keep a total of the amount for purposes of collecting it later from the Agency, once tax increment is generated from the project. Unfortunately, whatever the actual total of the amount of the deferred fees is, the Agency will only be obligated to repay up to \$1.5 million, and the City will have to absorb the rest.

Let me know if you have any questions regarding the above.

Heather A. Mahood
Assistant City Attorney



CITY OF LONG BEACH

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 4th Floor Long Beach, CA 90802 Phone: 570.LBDS Fax: 570.6205

September 8, 2008

Dear Client,

The Department of Development Services is committed to providing the highest level of service to our customers. As part of this commitment, we are implementing a new operating system that will allow us to improve our overall business process.

Beginning October 1st, our operational ability to defer payments to a monthly billing account will no longer be available; accounts using this method will be closed. To ensure that your business is not significantly affected, we would like to offer an alternate payment method. Enclosed is an application for a secured credit card transaction account, which will allow you to process and obtain express permits for simple construction projects by faxing or emailing your request to the Department. This option will allow us to process your payments quickly, and will eliminate a visit to city hall.

Because you are a valued customer, we are offering to waive the initial setup fee if you respond before October 1st, 2008. If you would like to take advantage of this service, please complete the attached application including your credit card information. The application must be received prior to October 1, 2008 in order to prevent any interruptions to your account service. If you choose to establish this type of account after October 1st, a one-time setup fee will apply.

Thank you for your patience and understanding as we roll out our new system. If you have any questions, please call Patsy Metzger at (562) 570-6601, or Michael Duerr at (562) 570-6473.

Sincerely,



Lawrence Brugger
Superintendent of Building and Safety

