



2

CITY OF SACRAMENTO

DEPARTMENT OF FINANCE

May 6, 1985

JACK R. CRIST
Director of Finance

ADMINISTRATION
BUDGET DIVISION
REVENUE DIVISION
ACCOUNTING DIVISION

Budget and Finance Committee
Sacramento, California

CITY MANAGER'S OFFICE
RECEIVED
MAY 14 1985

Honorable Members in Session:

SUBJECT: Cash and Investment Accountability Balancing Between the Department of Finance and the Department of Treasury

SUMMARY

Transmitted for Committee information are monthly Cash and Investment Accountability balancing schedules for the months of July, August and September 1984. The schedules indicate that for each of the three months, the respective financial records of the two departments were in agreement. The total cash and investments as of September 29, 1984 was \$285,594,677.60.

RECOMMENDATION

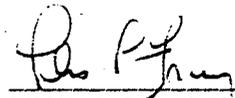
It is recommended that the Budget and Finance Committee review the attached report and refer it to the full City Council for their information.

Respectfully submitted,



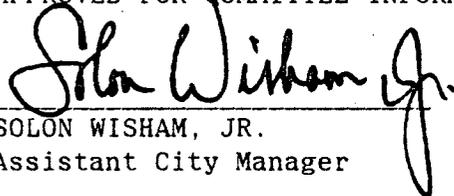
JACK R. CRIST
Director of Finance

ATTACHMENT



THOMAS P. FRIERY
City Treasurer

APPROVED FOR COMMITTEE INFORMATION:



SOLON WISHAM, JR.
Assistant City Manager

May 21, 1985



CITY OF SACRAMENTO

DEPARTMENT OF FINANCE

JACK R. CRIST
Director of Finance

May 6, 1985
FA:85190:JRC:KMF

ADMINISTRATION
BUDGET DIVISION
REVENUE DIVISION
ACCOUNTING DIVISION

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Cash and Investment Accountability Balancing Between the Department of Finance and the Department of Treasury

SUMMARY

Transmitted herein are monthly Cash and Investment Accountability balancing schedules for the months of July, August, and September 1984. The schedules indicate that for each of the three months, the respective financial records of the two departments were in agreement. The total cash and investments as of September 29, 1984, was \$285,594,677.60.

This report will be reviewed by the City Council Budget and Finance Committee on Tuesday, May 21. The report is an information item and no formal City Council action is required.

BACKGROUND

Based on recommendations received from Price Waterhouse to strengthen internal accounting controls related to cash and investment accountability, special reports to the City Council were prepared in 1982. The result of these staff reports was the passage of City Council Resolution 82-816, dated November 23, 1982, which created an internal fiscal accountability task force. The purpose of this task force was to develop and implement changes to the City's cash and investment accountability procedures.

The task force is comprised of representatives from the Finance, Treasury, and Data Processing Departments. Also, from time to time, Price Waterhouse has participated in meetings. The group generally meets for 1-2 hours every two weeks to discuss accountability issues and procedures. Since mid 1983, significant individual man-hours have been devoted to the project. The most significant Price Waterhouse recommendation was that monthly accountability balancing be performed between Finance and Treasury. In 1984, requisite staff were added to both departments to perform monthly balancing between the two departments utilizing existing systems. Effective July 1984, the Phase I accountability procedure was implemented

and this report transmits the first quarter of fiscal year 1984-85's monthly balancings. It is anticipated that the second quarter (October-December) will be forthcoming by the end of May and the third quarter in late June. The final quarter is scheduled for transmittal to the City Council in August.

ACCOMPLISHMENTS

Completion of the above tasks represent a significant accomplishment by City staff. This can only be appreciated if one understands the financial system complexities and difficulties that had to be overcome before timely balancing between the two departments could occur. The professionals of Finance and Treasury gained a great deal of knowledge from the task force process and are now able to accomplish a completed balancing in 10 days to 2 weeks. Since adequate resources are now dedicated full time to this area and through additional experience, this time frame will undoubtedly shorten.

The Treasurer's Office has made a number of improvements in the cash accountability process. In March 1984, Council approved the purchase of two microcomputers and an additional staff person to assist Treasury in the accountability process. These actions resulted in increased productivity and faster turnaround time in the accountability process as well as reporting Treasury activities. The microcomputers are also enabling the Treasurer's Department to provide in-house checks and balances, internal control systems to assist in balancing Treasury cash and investments, and have improved the flow of information to the Finance Department.

The Accounting Technician staff position maintains several accountability controls on a daily basis. All debits and credits to the City's general bank account are identified each day. Appropriate documents are then prepared and transmitted to the Finance Department to be used for accountability. A control of activity within the Bertha Henschel/Ann Land, SHRA, Retirement, Payroll and Commercial check writing process, and other City funds is also maintained daily by the Accounting Technician on the newly acquired micro system. The software being used has spreadsheet capabilities that allow the preparation of standard formats and utilization of built-in calculation functions; thereby reducing staff time and errors associated with the accountability process.

In addition, the Treasury and Finance Departments have implemented several testing procedures whereby the reconciliation process has been expedited by subdividing the bank accounts and general ledger into smaller and more manageable areas. These areas include, but are not limited to: Payroll checks, Commercial checks, cashiering, SHRA deposits and withdrawals, investment income, and investment purchases and sales. This process isolates any discrepancy to a specific area, thereby reducing the amount of time that previously was spent in the Citywide accountability process.

The Department of Finance's Accounting Division has made significant improvements in the cash accountability process. A thorough analysis of the City's accounting system's effect on cash accountability pinpointed several problem areas and has enabled staff to balance the Treasurer's cash and investments with the City's general ledger.

Until November, 1984, the Accounting Division did not have adequate staff to perform a detailed analysis of the cash accountability process. In November, an Accountant II position was transferred from the Department of Finance, Revenue Division, to the Accounting Division. This position's sole responsibility is to balance the Treasurer's cash and investments with the general ledger. This accountant has been able to analyze the effect on the general ledger for all types of transactions that involve cash.

In the process of analyzing cash accountability, a true spirit of cooperation between the Accounting Division and the Treasurer's Office has been formed. Information is now being communicated between departments in a meaningful and timely manner.

The full time attention of an accountant combined with the cooperative efforts of the Treasurer's Office has resulted in the Department of Finance's ability to prepare a monthly accountability schedule.

ANALYSIS

The results of the staff effort has complied with the external auditor's recommendation and the City Council can expect to see monthly balancings on a routine basis shortly after the end of each reporting period (quarterly). The attached balancing schedules demonstrate that cash and investment resources are accounted for and both departments are in agreement as to the appropriate balances at month end. Implementation of new internal control procedures will assist in preserving unqualified audit opinions and positive comments from external auditors. This would not be possible without City Council commitment to properly staffing this important function in both departments.

Although successful reconciliations have been completed as mentioned, we remain several months behind schedule. However, as was pointed out above, we should be current by late June. Phase I of the project is nearing completion. There is, however, much work remaining to be done. Phase I simply achieves monthly balancing using existing computer and manual systems and procedures. Phase I continues to make use of the money-max computer software, etc.

Phase II, which will be designed in FY 1985-86, involves significant computer software (and perhaps hardware) changes. This requirement for change is a policy issue addressed in the City Manager's recommended 1985-86 City budget. A consultant has been hired by the City Manager to work with City staff to evaluate alternatives and make recommendations. A final report should be available in late June.

FINANCIAL

Included herein as Attachments A, B, and C are the monthly balancings for July, August, and September, 1984, respectively. The format is consistent for each of the three reports. The lefthand three columns represent Treasury Department Balances, while the righthand three columns represent Finance Department balances. The grand total columns at the

bottom are in agreement for each department. The adjustment items are all documented and footnoted but basically represent either in-transit timing differences or human error.

BUDGET AND FINANCE COMMITTEE

The City Council Budget and Finance Committee will review this report on Tuesday, May 21, 1985.

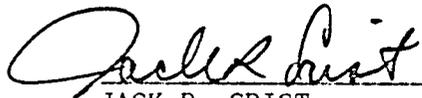
RECOMMENDATION

This report is an information item and no City Council action is required.

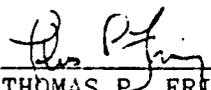
City staff will:

1. Complete the monthly balancing process for October 1984 through June 1985 in an expeditious manner, and;
2. Continue Cash and Investment Accountability Task Force meetings between the affected departments, and;
3. Report to the City Council on a quarterly basis, and;
4. Initiate Phase II of the Cash and Investment Accountability project which involves design of significant new computer information systems related to cash and investment accountability.

Respectfully submitted,

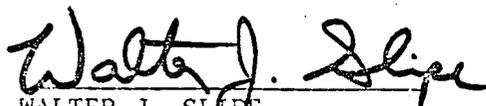


JACK R. CRIST
Director of Finance



THOMAS P. FRIERY
City Treasurer

APPROVED FOR CITY COUNCIL INFORMATION:



WALTER J. SLIFE
City Manager

All Districts
May 21, 1985

Attachments:

- A - July 1984 Cash and Investment Accountability
- B - August 1984 Cash and Investment Accountability
- C - September 1984 Cash and Investment Accountability
- D - Price Waterhouse Letter of Recommendation

Run date: 4/25/85

Page 1

CITY OF SACRAMENTO
CASH & INVESTMENTS ACCOUNTABILITY
AUGUST 4, 1984

TYPES OF INVESTMENTS	INVESTMENTS PER TREASURER	ADJUSTMENTS	ADJUSTED TREASURER'S BALANCE	INVESTMENTS PER GENERAL LEDGER	ADJUSTMENTS	ADJUSTED GENERAL LEDGER BALANCE
Total Cash Balances: G/L				109,491,269.27		109,491,269.27
POOLED INVESTMENTS:					(0.02)a	(0.02)
Pool A	63,677,084.70	48,878.51 a	63,725,963.21		168,511.21 b	168,511.21
Pool B	15,399,447.66		15,399,447.66		1,274,220.95 c	1,274,220.95
Pool C	9,725,068.68	533.62 b	9,725,602.30		(195,214.13)d	(195,214.13)
Pool D	9,951,074.07		9,951,074.07		(514,780.26)e	(514,780.26)
LAIF	8,000,000.00		8,000,000.00		(1,475,000.00)f	(1,475,000.00)
REPO	3,000,000.00		3,000,000.00		(963,618.62)g	(963,618.62)
Wells Fargo Express	(368,632.51)	1,355,845.95 c	987,213.44		68.65 h	68.65
Commercial Account	(2,147,795.20)	(216,370.62)d	(2,364,165.82)			
Payroll	(640,077.05)	399.24 e	(639,677.81)			
sub total	106,596,170.35	1,189,286.70	107,785,457.05	109,491,269.27	(1,705,812.22)	107,785,457.05
1915 Special Assessment Bonds	407,845.75	106,556.66 f	514,402.41	569,710.03		569,710.03
Assessment Bonds-School Cert.	55,307.62		55,307.62			
Ann Land Memorial	283,548.62	548.02 g	284,096.64	284,096.64		284,096.64
Bertha Henschel Memorial	685,400.25	1,068.91 h	686,469.16	686,469.16		686,469.16
RETIREMENT TRUST:						
Bonds	75,282,746.81		75,282,746.81	75,282,746.81		75,282,746.81
Mortgage Backed Loans	16,575,441.41		16,575,441.41	16,726,747.95	(151,306.54)i	16,575,441.41
Mortgage Loans	5,857,622.92	(2,000.00)i	5,855,622.92	4,716,017.22	1,139,605.70 j	5,855,622.92
Stocks & Core	43,487,392.40		43,487,392.40	43,561,114.43	(73,722.26)k	43,487,392.17
Emerging Growth	11,826,554.89		11,826,554.89	12,111,069.38	(284,514.47)l	11,826,554.91
Full Options	9,934,677.62		9,934,677.62	9,836,817.65	97,860.00 m	9,934,677.65
Hard Assets	1,815,350.43	546.05 j	1,815,896.48	1,815,896.48		1,815,896.48
Real Estate	4,694,457.91	(4,250.47)k	4,690,207.44	5,840,207.44	(1,150,000.00)n	4,690,207.44
sub total	169,474,244.39	(5,704.42)	169,468,539.97	169,899,617.36	(422,077.57)	169,468,539.79
CASH WITH FISCAL AGENT:						
Ann Land Mem./Ind.	4,675.15		4,675.15	(1.37)	4,676.52 o	4,675.15
Bertha Henschel Mem./Ind.	4,491.06		4,491.06	2,116.15	2,374.91 p	4,491.06
SCERS - Fixed	1,274,220.95		1,274,220.95	2,854,024.68	1,245,640.24 q	
SCERS - Alliance	1,440,272.17		1,440,272.17		177,022.36 r	
SCERS - Battery March	169,052.06		169,052.06		(264,705.32)s	
SCERS - Emerging Growth	1,305,170.21		1,305,170.21		275,174.70 t	
SCERS - Full Options	98,291.27		98,291.27			4,287,156.66
sub total	4,296,172.87	0.00	4,296,172.87	2,956,139.46	1,440,183.11	4,296,322.87
TOTAL	281,798,689.85	1,291,755.87	283,090,445.72	283,778,301.92	(687,706.38)	283,090,595.54

CITY TOTAL

283,090,445.72

283,090,595.54

NOTES:

SCHEDULE REFERENCE

Adjustments to the Treasurer's Investments:

a. To correct the book balance that was reduced by the 8/1/84 GNMA payment & to add back the purchased interest for a late payment (2500.00).	EIS
b. To correct the book balance that was reduced by the 8/1/84 GNMA payment.	EIS
c. Late S-3's that account for early deposits.	B-1
d. Late special issue and worker's comp. checks, stops not picked up, issues notice not received by Treasurer & cancellations from a prior period.	C-1
e. Cancellation notice late to the Treasurer.	D-1A
f. Activity the Treasurer did not account for.	E-1
g. Adjustment from June's accountability - premium on stocks.	
h. Adjustment (from June) to original cost and discount on stocks and bonds.	
i. Error made in July, corrected in August.	H-3
j. Adjustment from June's accountability.	
k. Expenses from escrow.	D-1

Adjustments to the General Ledger Investments:

a. Unknown error in investments.	
b. Late S-3's (pooled investments).	A-4
c. Late S-3 (retirement).	C-2
d. Adjustments to the commerial account.	C-1a
e. Reversal of retirement (1162) accrual, JV. was posted 9/14/84.	A-7
f. Checks late from the G/L for wire transfers.	A-9
g. Adjustments to the payroll account.	A-9, D-1a
h. S-3 prepared in error for the 7/1/84 GNMA payment.	EIS
i. Late JV's posted 8/31/84 & 9/21/84.	H-2
j. Reclassification from real estate & late S-3's.	H-3
k. Late JV's posted 8/31/84 and 9/14/84 & reversal of activity from 7/1-7/6/84.	H-4
l. Reversal of activity from 7/1-7/6/84 & late JV. posted 9/14/84.	H-5
m. Late JV's posted 8/31/84 and 9/14/84.	H-6
n. Reclassification to mortgage loans.	H-8
o. July activity.	I-1
p. July activity.	I-2
q. Late JV's (Fixed) & reclassification to real estate.	I-3
r. Late JV (Alliance).	I-3
s. Late JV (Battery March).	I-3
t. Late JV (Emerging Growth).	I-3

Run date: 4/25/85

Page 1

CITY OF SACRAMENTO
CASH & INVESTMENTS ACCOUNTABILITY
AUGUST 31, 1984

TYPES OF INVESTMENTS	INVESTMENTS PER TREASURER	ADJUSTMENTS	ADJUSTED TREASURER'S BALANCE	INVESTMENTS PER GENERAL LEDGER	ADJUSTMENTS	ADJUSTED GENERAL LEDGER BALANCE
Total Cash Balances: G/L				108,497,529.10		108,497,529.10
POOLED INVESTMENTS:		13,954.28 a	13,954.28		(279,778.52)a	(279,778.52)
Pool A	58,006,163.17		58,006,163.17		247,788.60 b	247,788.60
Pool B	15,899,299.90		15,899,299.90		(750,000.00)c	(750,000.00)
Pool C	11,924,847.04		11,924,847.04		(1,233,787.49)d	(1,233,787.49)
Pool D	9,955,196.87		9,955,196.87		(514,780.26)e	(514,780.26)
LAIF	7,000,000.00		7,000,000.00		(65,924.88)f	(65,924.88)
REPO	2,500,000.00		2,500,000.00		76.87 g	76.87
Wells Fargo Express	2,297,713.81	750,148.02 b	3,047,861.83		68.65 h	68.65
Commercial Account	(2,335,311.42)	(143,908.91)c	(2,479,220.33)		(6,260.52)i	(6,260.52)
Payroll	340,117.57	(313,288.78)d	26,828.79			0.00
sub total	105,588,026.94	306,904.61	105,894,931.55	108,497,529.10	(2,602,597.55)	105,894,931.55
1915 Special Assessment Bonds	407,845.75		407,845.75	463,153.37		463,153.37
Assessment Bonds-School Cert.	55,307.62		55,307.62			
Ann Land Memorial	283,548.62	548.02 e	284,096.64	284,096.64		284,096.64
Bertha Henschel Memorial	685,463.10	944.57 f	686,407.67	686,407.67		686,407.67
RETIREMENT TRUST:						
Bonds	75,282,746.81		75,282,746.81	75,282,746.81		75,282,746.81
Mortgage Backed Loans	16,505,191.27		16,505,191.27	16,658,317.98	(153,126.71)j	16,505,191.27
Mortgage Loans	6,453,858.37		6,453,858.37	4,684,721.93	1,769,136.44 k	6,453,858.37
Stocks & Core	43,647,715.23		43,647,715.23	43,590,134.67	57,580.56 l	43,647,715.23
Emerging Growth	11,179,138.22		11,179,138.22	11,912,402.41	(733,264.19)m	11,179,138.22
Full Options	9,832,953.88		9,832,953.88	9,789,965.12	43,048.76 n	9,832,953.88
Hard Assets	1,815,350.43	546.05 g	1,815,896.48	1,815,896.48		1,815,896.48
Real Estate	4,694,457.91	(4,250.47)h	4,690,207.44	5,849,297.44	(1,150,000.00)o	4,690,207.44
sub total	169,411,412.12	(3,704.42)	169,407,707.70	169,574,332.84	(166,625.14)	169,407,707.70
CASH WITH FISCAL AGENT:						
Ann Land Mem./Ind.	5,356.50		5,356.50	(1.37)	5,357.87 p	5,356.50
Bertha Henschel Mem./Ind.	7,750.28		7,750.28	2,116.15	5,634.13 q	7,750.28
SCERS - Fixed	580,955.99		580,955.99	1,433,411.03	1,508,988.18 r	
SCERS - Alliance	1,003,747.33		1,003,747.33		(319,918.33)s	
SCERS - Battery March	187,603.83		187,603.83		(43,139.41)t	
SCERS - Emerging Growth	2,066,369.30		2,066,369.30		820,642.02 u	
SCERS - Full Options	11,988.60		11,988.60		(119,098.65)v	3,335,884.79
sub total	3,863,771.83	0.00	3,863,771.83	1,490,525.81	2,373,246.02	3,863,771.83
TOTAL	280,295,375.98	304,692.78	280,600,068.76	280,996,045.43	(395,976.67)	280,600,068.76
GRAND TOTAL			<u>280,600,068.76</u>			<u>280,600,068.76</u>

NOTES:

SCHEDULE REFERENCE

Adjustments to the Treasurer's Investments:

a. Prior period adjustments.	A-1
b. Late S-3's that account for early deposits & late circle checks to Treasurer.	B-1, B-2
c. Late special issue checks, stops not picked up & check never cancelled.	E-1
d. Cancellation & stop notices late to the Treasurer & deposit posted in error to payroll account.	E-2
e. Adjustment from June's accountability - Premium on stocks.	F-1
f. Adjustment (from June) to original cost and discount on stocks and bonds.	G-1
g. Adjustment from June's accountability.	H-7
h. Expenses from escrow.	H-8

Adjustments to the General Ledger Investments:

a. Prior period adjustments.	A-1
b. Late S-3's (pooled investments).	C-4
c. Late checks payable to the Treasurer for SHRA transferr.	B-1
d. Adjustments for the commerical account: special issue checks & check stoped reissued late.	D-1
e. Reversal of retirement (1162) accrual. JV. was posted 9/14/84.	
f. August payroll checks recorded after 8/31/84 & net adjustments to August payroll.	E-1
g. S-3 prepared in error for 7/1/84 GNMA payment.	EIS
h. S-3 prepared in error for 8/1/84 GNMA payment.	
i. Rejected portion of accounting transfers.	C-2
j. Reversal of 7/1-7/6/84 activity & late JV's.	H-2
k. Reclassification from Real Estate & late S-3's.	H-3
l. Reversal of 7/1-7/6/84 activity & late JV's.	H-4
m. Reversal of activity from 7/1-7/6/84 & late JV's.	H-5
n. Reversal of activity from 7/1-7/6/84 & late JV's.	H-6
o. Reclassification to Mortgage Loans.	H-8
p. August activity.	I-1
q. August activity.	I-2
r. Reversal of 7/1-7/6/84 activity & late JV's (Fixed).	I-3
s. Reversal of 7/1-7/6/84 activity & late JV (Alliance).	I-3
t. Reversal of 7/1-7/6/84 activity & late JV (Battery March).	I-3
u. Reversal of 7/1-7/6/84 activity & late JV (Emerging Growth).	I-3
v. Reversal of 7/1-7/6/84 activity & late JV (Full Options).	I-3
w. Retirement cash with fiscal agent reversal.	I-3

Run date: 4/25/85

Page 1

CITY OF SACRAMENTO
CASH & INVESTMENTS ACCOUNTABILITY
SEPTEMBER 29, 1984

TYPES OF INVESTMENTS	INVESTMENTS PER TREASURER	ADJUSTMENTS	ADJUSTED TREASURER'S BALANCE	INVESTMENTS PER GENERAL LEDGER	ADJUSTMENTS	ADJUSTED GENERAL LEDGER BALANCE
Total Cash Balances: G/L				113,162,559.49		113,162,559.49
POOLED INVESTMENTS:		(129,614.62)a	(129,614.62)		(1,499,188.97)a	(1,499,188.97)
Pool A	52,927,013.10		52,927,013.10		178,230.87 b	178,230.87
Pool B	15,899,299.90		15,899,299.90		(100,000.00)c	(100,000.00)
Pool C	9,924,308.30		9,924,308.30		(73,060.11)d	(73,060.11)
Pool D	8,022,658.68		8,022,658.68		(75,546.63)e	(75,546.63)
LAIF	10,000,000.00		10,000,000.00		279.29 f	279.29
REPO	14,500,000.00	40.00 b	14,500,040.00		(50.00)g	(50.00)
Wells Fargo Express	1,768,666.68	1,753,605.47 c	3,522,272.15		(401,205.87)h	(401,205.87)
Commercial Account	(3,411,199.52)	(77,792.21)d	(3,488,991.73)			
Payroll	14,473.40	558.89 e	15,032.29			
sub total	109,645,220.54	1,546,797.53	111,192,018.07	113,162,559.49	(1,970,541.42)	111,192,018.07
1915 Special Assessment Bonds	407,845.75		407,845.75	463,153.37		463,153.37
Assessment Bonds-School Cert.	55,307.62		55,307.62			
Ann Land Memorial	282,399.52	548.02 f	282,947.54	284,096.64	(1,149.10)i	282,947.54
Bertha Henschel Memorial	668,610.23	1,110.93 g	669,721.16	686,407.47	(16,686.31)j	669,721.16
RETIREMENT TRUST:						
Bonds	75,282,746.81		75,282,746.81	75,282,746.81		75,282,746.81
Mortgage Backed Loans	16,472,947.71		16,472,947.71	16,505,191.35	(32,243.64)k	16,472,947.71
Mortgage Loans	6,321,556.28		6,321,556.28	4,628,152.44	1,693,403.84 l	6,321,556.28
Stocks & Core	43,828,661.02		43,828,661.02	43,647,715.00	180,946.02 m	43,828,661.02
Emerging Growth	11,240,327.90		11,240,327.90	11,179,138.24	61,189.66 n	11,240,327.90
Full Options	8,884,732.88		8,884,732.88	9,832,953.91	(948,221.03)o	8,884,732.88
Hard Assets	1,815,350.43	546.05 h	1,815,896.48	1,815,896.48		1,815,896.48
Real Estate	4,694,457.91	(4,250.47) i	4,690,207.44	5,840,207.44	(1,150,000.00)p	4,690,207.44
sub total	168,540,780.94	(3,704.42)	168,537,076.52	168,732,001.67	(194,925.15)	168,537,076.52
CASH WITH FISCAL AGENT:						
Ann Land Mem./Ind.	2,097.53		2,097.53	(1.37)	2,098.90 q	2,097.53
Bertha Henschel Mem./Ind.	32,638.92		32,638.92	2,376.04	30,262.88 r	32,638.92
SCERS - Fixed	452,092.04		452,092.04	3,270,109.06	452,092.04 s	
SCERS - Alliance	978,232.61		978,232.61		(25,514.72)t	
SCERS - Battery March	326,867.93		326,867.93		139,264.10 u	
SCERS - Emerging Growth	2,162,846.57		2,162,846.57		96,477.27 v	
SCERS - Full Options	494,985.34		494,985.34		482,596.74 w	4,415,024.49
sub total	4,449,760.94	0.00	4,449,760.94	3,272,483.73	1,177,277.21	4,449,760.94
TOTAL	284,049,925.54	1,544,752.06	285,594,677.60	286,600,702.37	(1,006,024.77)	285,594,677.60

G TOTAL

285,594,677.60

285,594,677.60

NOTES:

SCHEDULE REFERENCE

Adjustments to the Treasurer's Investments:

a. Prior period adjustments.	A-1
b. Overpayment of REPO interest, corrected 10/9/84.	
c. Late S-3's that account for early deposits & late circle checks to Treasurer.	B-1, B-2
d. Late special issue checks, stops not picked up & checks never cancelled.	E-1
e. Stop notices late to the Treasurer.	E-2
f. Adjustment from June's accountability - Premium on stocks.	F-1
g. Adjustment (from June) to original cost and discount on stocks and bonds.	G-1
h. Adjustment from June's accountability.	H-7
i. Expenses from escrow.	H-8

Adjustments to the General Ledger Investments:

a. Prior period adjustments.	A-1
b. Late S-3's (pooled investments).	C-4
c. Late circle checks.	B-1
d. September payroll checks recorded after 9/28/84 & not adjustments to September payroll.	E-1
e. Adjustments for the commerial account: special issue checks & check stoped reissued late.	D-1
f. S-3's prepared in error for the July, Aug. & Sept. GNMA payments.	
g. Rejected portion of accounting transfers.	
h. Error on JV #C1003, corrected 12/84.	
i. JV late for September activity.	
j. JV late for September activity.	
k. JV late for September activity.	H-3
l. JV late for sept. activity, reclassification from real estate, late S-3 for Granite, late claim for Big-5 & reversal of June check.	H-4
m. JV late for September activity.	H-5
n. JV late for September activity.	H-6
o. JV late for September activity.	H-6
p. Reclassification to Mortgage Loans.	H-8
q. September activity.	I-1
r. September activity.	I-2
s. Late JV's (Fixed).	I-3
t. Late JV (Alliance).	I-3
u. Late JV (Battery March).	I-3
v. Late JV (Emerging Growth).	I-3
w. Late JV (Full Options).	I-3

ATTACHMENT D

RECEIVED
Department of Finance

NOV 14 1984

AM PM
7 8 9 10 11 12 1 2 3 4 5 6
4

CITY OF SACRAMENTO

RECOMMENDATIONS FOR STRENGTHENING
INTERNAL ACCOUNTING CONTROLS

* * * * *

AUGUST 29, 1984

Price
Waterhouse



455 CAPITOL MALL
SACRAMENTO, CA 95814
916 441-2370

August 29, 1984

To the Honorable Mayor and the
City Council of the City of Sacramento

We have examined the financial statements of the City of Sacramento for the 52 weeks ended July 1, 1983. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the City of Sacramento is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Sacramento taken as a whole. However, our study and

To the Honorable Mayor
and the City Council

- 2 -

August 29, 1984

evaluation disclosed no condition that we believed to be a material weakness. As a result of our study and evaluation, we have developed certain recommendations designed to improve accounting procedures and controls and operating efficiency as well as to safeguard the City's assets.

This report is intended solely for the use of management and should not be used for any other purpose.

* * * * *

We wish to express our appreciation for the cooperation and courtesy extended to us by employees of the City. We will be pleased to meet with you at your convenience to discuss further any of the recommendations.

Yours very truly,

Price Waterhouse

CITY OF SACRAMENTO

RECOMMENDATIONS FOR STRENGTHENING
INTERNAL ACCOUNTING CONTROLS

During our examination of the financial statements of the City for fiscal years 1981 and 1982, we made certain recommendations related to the area of cash and investments which were included in our Memorandum of Recommendations dated October 22, 1982. During the fiscal 1983 examination, we determined that certain of those recommendations had not yet been implemented and we have repeated them for your further consideration.

RECOMMENDATION 1:

Internal controls over cash and investments should be formalized and strengthened.

- A. Cash and investments held by the City Treasurer should be reconciled to Department of Finance records on a more frequent basis to ensure that:
1. The City Treasurer is held accountable for cash and investments under his control; and
 2. The Department of Finance accounting records related to cash and investments are properly stated and are in agreement to the physical assets held by the Treasurer.

During the 1983 fiscal year, cash accountability procedures did not include city-wide total cash and investments reconciliation between the Treasurer's moneymax system and all funds recorded in the general ledger by the Department of Finance. This city-wide reconciliation was, however, accomplished several months after the end of the fiscal year. The departments attempted to perform more timely reconciliations in fiscal 1983 but the issues raised in points 1B.-D. prevented the completion of satisfactory reconciliations on a timely basis.

We recommend that the Department of Finance be responsible for the monthly accountability reconciliation between the Treasurer's moneymax system and the Department of Finance general ledger. We also believe that the Department of Finance should be responsible for the monthly bank reconciliations in order to achieve management information reports that are credible as well as timely.

This monthly reconciliation should then be reviewed and approved by both the City Treasurer and the City Finance Director.

1A MANAGEMENT RESPONSE:

Based upon the Price Waterhouse comments of fiscal 1981 and 1982, Special Reports to Council were prepared. The result of these staff reports was the passage of City Council Resolution 82-816 dated November 23, 1982 which created an internal fiscal accountability task force for purpose of developing and implementing changes to the City's cash and investment accountability procedures.

Since its creation, the working task force committed significant man hours to reviewing and analyzing data from fiscal years 1981 through 1983. The time spent in reconstructing prior fiscal year accountabilities and developing procedures to implement the recommended actions contributed to and further aggravated the ability to process current work on a timely basis thereby causing further delay. At least 3 of Treasury's 8 full-time positions during this time were committed to working on this task force and the Assistant Treasurer was assigned exclusively to this project from January through April, 1984. Further, the Finance Department's Accounting Officer and several other accounting staff were working on this project almost daily while Data Processing staff reviewed and flowcharted the existing operation.

The main task force is comprised of representatives from the finance, treasury and data processing departments. The task force met at least monthly for over a year since it was formed to review findings and recommendations and to develop procedures to implement such recommendations. Also, Price Waterhouse has participated in task force discussions on occasion. The City task force is generally in agreement with Price Waterhouses' recommendation and is now implementing procedures whereby a city-wide total cash and investment accountability can be performed on a monthly basis. Responsibility for implementation of cash accountability procedures has been assigned jointly to the finance department's Accounting Officer and the Assistant City Treasurer.

Satisfactory June 1983 and December 1983 cash accountability reports have been completed. These two departments are now nearing completion on a March 30, 1984 reconciliation with plans to perform monthly reconciliations for March 1984 through June 1984 which are scheduled to be completed by October 31, at which time they will be given to Price Waterhouse for use in the fiscal year 1983-84 audit.

With respect to responsibility for monthly bank reconciliations, treasury department staff has retained responsibility for their preparation. However, they are forwarding a copy to the finance department for review. These bank reconciliations are also used as an integral part of the city-wide accountability reconciliation.

Once the new procedures are functioning smoothly and the Accounting Division has established a system to record individual City investments, both the City Treasurer and the City Finance Director will review and approve the monthly reports. These can then be forwarded to the City Council for their review. In the meantime, both department heads are heavily involved in the details of the work being done by the task force.

- B. During the year under examination, it became apparent that not all investments made by the Treasurer were documented in accordance with established policy. Many instances were noted whereby Form S-3's (cash receipts form) were not being received by the Department of Finance for periods ranging from days to months. As a result, reconciliations of cash and investment activity were not performed on a timely basis and City employees had to spend numerous hours in order to reconcile the accounts properly. However, it should be noted that the situation will re-occur unless established procedures are followed.

We consider it important that the City make efforts to perform reconciliation of cash and investment activity on a monthly basis.

Until such time that all necessary information is presented in a timely fashion, monthly reconciliations will continue to be extremely time consuming and frustrating for all concerned. Once the recommended corrective action has been implemented, we believe that monthly reconciliations will take considerably less time and effort than is now being expended and will result in more credible information being prepared for the use of management.

1B MANAGEMENT RESPONSE:

As more fully explained in response 1A above, the City formalized a multi-department task force to better facilitate information exchange. This approach seems to be working quite well at the present time. The task force has identified several areas where problems previously existed and changes have been implemented. For example, some unidentified deposits were previously going weeks and months without being researched and credited to the proper fund. Staff in both the treasury

and finance departments have been assigned responsibility for researching and clearing unidentified deposits on a daily basis. Note: An unidentified deposit is an amount appearing on the daily bank statement which can not easily be identified as relating to a specific fund.

City treasury staff management disagrees that investment activity initiated by the Treasurer was not documented in accordance with established policy. Investment activity per se, purchases, sales and maturities of securities were input to Moneymax records and investment reports including investment income earned and/or received were reported to the Finance Department and the City Council. However, the duplication required by Treasury staff to input to Moneymax plus the task force work and preparing data for Finance records as described in response 1A resulted in a situation where not all formal posting documents relating to investment income or deposits were prepared and forwarded timely to Finance. However, the monies representing these deposits were immediately cleared and invested, emphasizing utilization of cash and maximizing rate of return while it was not possible to simultaneously report such activities to Finance.

- C. Currently, all bank accounts and investments are accounted for in one general ledger account. To enhance accountability over cash transfers and to simplify cash account reconciliation procedures, each bank account should be accounted for in a separate general ledger account. This procedure will require that more detailed information regarding cash receipts and transfers be transmitted from the Treasurer's Office to the Finance Department; however, we believe that the segregation of bank accounts and investments will permit more timely and accurate reconciliation of all accounts by the Treasurer.

1C MANAGEMENT RESPONSE:

Management concurs. The cash accountability task force will be working on implementing this recommendation during the coming months.

- D. Investment tickets should be compared to the Moneymax daily transaction log in order to gain additional assurance that all investment activity has been processed correctly. This comparison of input to output is a basic control to assist in early identification of erroneous information within the system.

1D MANAGEMENT RESPONSE:

Management concurs. Procedures have been implemented which includes additional staff.