



CITY OF ATLANTA

City Auditor's Office
Leslie Ward, City Auditor
404.330.6452

November 2013

Performance Audit:

Cash Pool

What We Found

The effectiveness of the city's cash management is limited by the exclusion of 107 funds from participation in the cash pool. Lack of participation increases cash management transaction and opportunity costs, as more transactions are required and less pooled money is available for investment.

Nearly all of the non-participating funds are bond, tax allocation district and grant funds. The basis for excluding funds from the cash pool is unclear, and finance staff lacks documentation or institutional knowledge to support individual fund restrictions. We reviewed tax allocation district legislation but identified no restrictions that would prevent their participation in the cash pool, and state law explicitly permits municipalities to invest tax allocation district proceeds in the same manner as other funds.

In addition, 17 bank accounts associated with the 29 participating funds are excluded from cash pool participation. We reviewed documents related to five accounts containing over 94% of the combined balance and concluded that the exclusion was warranted for two of the five.

Non-participating funds have been slow to reimburse the cash pool. In December 2012, non-participants owed the cash pool nearly \$60 million. While the balance owed was down to about \$10 million in May 2013, delays in reimbursements reduce the cash available for city operations and for investing.

The controls in place to identify material errors in cash pool accounting are effective. We examined the review and analysis of cash pool balances posted to the city's financial records monthly, and we found no errors in the variance analysis. Spreadsheet errors, however, led to misallocation among participating funds of 2.3% of the cash pool interest earned in fiscal year 2012. The general fund received about \$22,300 less in interest than it should have earned.

Why We Did This Audit

We undertook this audit because past management letters issued by the city's external auditors identified issues with the cash pool, including lack of procedures to ensure accurate and timely recording of transactions, and transparency of cash pool activity.

In December 2008, the department of finance and department of watershed management executed a Memorandum of Understanding for the general fund to repay watershed for \$116M spent to cover fund deficits and to finance the new public safety headquarters.

What We Recommended

To ensure complete, timely and accurate recording of transactions the chief financial officer should:

- evaluate classification of non-participating funds and document criteria prohibiting inclusion in the cash pool; place funds without restrictions in the cash pool
- ensure that departments responsible for the remaining non-participant funds reimburse the cash pool promptly for expenses
- add three airport bank accounts into the cash pool and evaluate the need for maintaining \$1.5 million balances in two of these accounts and the controller should:
 - implement a review of formulas used in the year-end true up calculation to ensure the accurate calculation and recording of interest to participating funds.

For more information regarding this report, please contact Damien Berahzer at 404.330.6806 or dberahzer@atlantaga.gov