Performance Audit:
Cash Pool

November 2013

City Auditor's Office

City of Atlanta

File #13.04

CITY OF ATLANTA
City Auditor's Office
Leslie Ward, City Auditor
404.330.6452

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Performance Audit:

Cash Pool

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

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.

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1:	**The chief financial officer should evaluate the classification of non-participating funds and document the specific criteria prohibiting each fund's inclusion in the cash pool. Funds without restrictions should be reclassified as cash pool participants.**	
Response & Proposed Action:	The City of Atlanta Department of Finance agrees with this recommendation. The City of Atlanta Office of Treasury will review all 107 non- participating funds and determine the validity of such classification. The Treasury Office will also update policies and procedures to include guidelines on classification of funds as a cash pool participant.	**Agree**
Timeframe:	April 2014	
Recommendation #2:	**The chief financial officer should also ensure that departments responsible for the remaining non-participant funds reimburse the cash pool promptly for expenses.**	
Response & Proposed Action:	The City of Atlanta Department of Finance believes the onus of making timely payments to cash pool rests with the individual departments owing money to cash pool. Currently there is monthly reporting provided by General Accounting Department to owners of all non- participating funds providing detailed information on the aging and nature of expenses. The Treasury Department recommends incorporating practices of accountability. After three months, notification of delinquent cash pool reimbursements will be sent to City Commissioners. The subsequent month, Treasury will initiate an automatic transfer with the exception of cases where there is a dispute. The Controller's Office will work with departments directly to resolve such matters so as to enable prompt reimbursement to cash pool.	**Partially Agree**
Timeframe:	February 2014	
Recommendation #3:	**The chief financial officer should add the Airport Revenue Depository, Airport Parking Depository and Airport EMS bank accounts into the cash pool structure. The chief financial officer should also evaluate the need for maintaining $1.5 million balances in the Airport Revenue Depository and Airport Parking Depository bank accounts.**	
Response & Proposed Action:	The City of Atlanta Department of Finance agrees with this recommendation. The Treasury Office will initiate converting the Airport Revenue Depository, Airport Parking Depository and Airport EMS bank accounts as ZBA accounts to ensure automatic "sweeping" of funds to cash pool.	**Agree**
Timeframe:	December 2013	
Recommendation #4:	**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.**	
Response & Proposed Action:	The City of Atlanta Controller's Office agrees to implement a peer review process to ensure the accurate calculation of year-end interest to participating funds.	**Agree**
Timeframe:	June 2014	

CITY OF ATLANTA

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November 4, 2013

Honorable Mayor and Members of the City Council:

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 addition, 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 funds deficits and to finance the new public safety headquarters.

As of October 2013, 107 funds are excluded from participating in the cash pool with bond, tax allocation district, and grant funds making up 96 of the non-participating funds. The basis for excluding funds from the cash pool is unclear. Finance lacks documentation or institutional knowledge to support individual fund restrictions. In addition, 17 bank accounts associated with participating funds are currently excluded from cash pool participation. Further, non-participating funds have been slow to reimburse the cash pool. As of December 2012 non-participants owed the cash pool nearly $60 million. The balance owed was down to about $10 million in May 2013.

Lack of cash pool participation increases transaction and opportunity costs, as more transactions are required and less pooled money is available for investment. Delays in reimbursements reduce the cash available for city operations and for investing.

The Department of Finance agreed with three of the four recommendations we issued; the department partially agreed with the remaining recommendation. The department agreed with the three recommendations focused on completeness of cash pool participation and accuracy of interest calculation to cash pool participants. The finance department partially agreed with our recommendation requiring departments responsible for non-participant funds reimburse the cash pool promptly for expenses. The department plans to institute a four month notification of required reimbursements to departments. After the four month notification, the treasury division will automatically transfer, with the exception of disputed expenses, to clear the delinquent reimbursement. The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was.

Leslie Ward	Fred Williams
City Auditor	Audit Committee Chair

Cash Pool

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List of Exhibits

Introduction

We conducted this performance audit of the Department of Finance pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the City Auditor's Office and outlines their primary duties. The Audit Committee reviewed our audit scope in April 2013.

A performance audit is an objective analysis of sufficient, appropriate evidence to assess the performance of an organization, program, activity, or function. Performance audits provide assurance or conclusions to help management and those charged with governance improve program performance and operations, reduce costs, facilitate decision-making and contribute to public accountability. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.[1]

We undertook this audit because the city's external auditors previously identified problems with the cash pool, including lack of procedures to ensure accurate recording of transactions, untimely recording of transactions, and lack of transparency of cash pool activity. The Department of Finance entered into an agreement In December 2008 for the general fund to repay with interest the Department of Watershed Management for $116 million spent from the cash pool to cover deficits in other funds. Most of the deficit spending related to the construction of the public safety headquarters.

Background

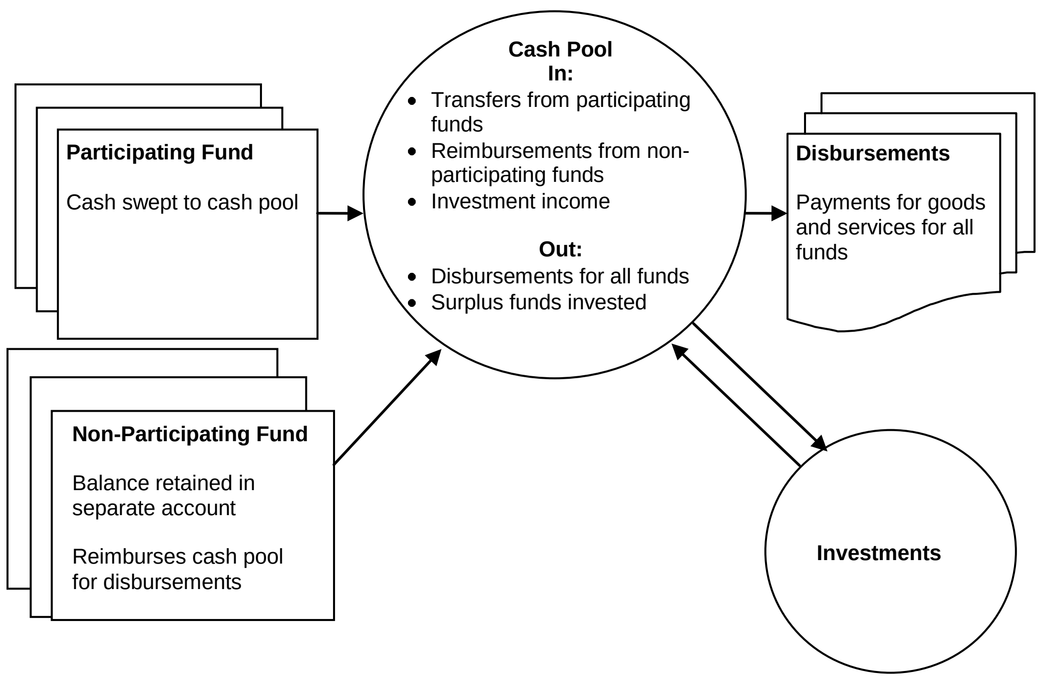
Cash pooling is a cash management technique that is intended to optimize investment opportunity and reduce transaction costs and banking fees. Cash receipts are pooled into a single account (called the concentration account) from which funds are disbursed to pay for goods and services. Surplus funds not needed for day-to-day

[1] Comptroller General of the United States, *Government Auditing Standards,* Washington, DC: U.S. Government Accountability Office, 2011, p.17-18.

operating expenses are invested and the investment income shared among funds. As of April 2013, the city had 29 funds participating in its cash pool and 107 funds not participating in the cash pool. Participating funds include the general fund, enterprise funds, and various special revenue funds. Non-participating funds include mostly bond, grant, and tax allocation district funds.

The diagram in Exhibit 1 illustrates how the city's cash pool works. Revenue is deposited into city bank accounts as it is received. Money deposited into accounts of participating funds is automatically transferred (also called "swept") into the cash pool daily. Money deposited into accounts of non-participating funds remains separate from the cash pool. According to the Department of Finance's policy all city payments, including those for non-participating funds, are processed from the cash pool. The non-participating funds then reimburse the cash pool for the payments made. The city's treasurer invests surplus funds from the cash pool, and investment income is periodically deposited into the cash pool.

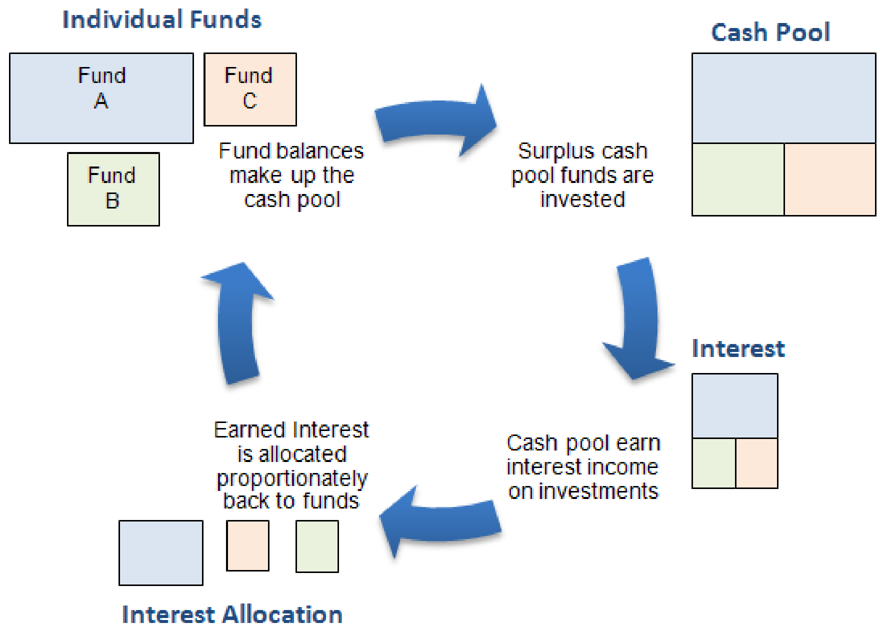
Exhibit 1: Flow of Funds In and Out of the City's Cash Pool



Source: City Auditor's Office adapted from the Department of Finance's High Level Cash Flow process

A participating fund's contribution into the cash pool represents its investment and is termed its equity position or equity balance in the cash pool. Disbursements processed for a participating fund reduce its equity in the pool. The Department of Finance allocates cash pool investment income monthly to the participating funds proportionate to their equity balances in the cash pool. Exhibit 2 illustrates the interest allocation. At the end of the year, finance "trues up" the annual interest allocation based on average daily and monthly equity balances.

Exhibit 2: Cash Pool Fund Participation and Investment Cycle



Source: City Auditor's Office staff simplified rendering of the fund investment cycle in the cash pool

State law and city policy provide guidelines for prudent cash and investment management. State law allows local governments to invest and reinvest any money subject to its control and jurisdiction in:

- Obligations of Georgia or of other states;
- Obligations issued by the United States government;
- Obligations fully insured or guaranteed by the United States government or a United States government agency;
- Obligations of any corporation of the United States government;
- Prime bankers' acceptances;
- The local government investment pool established by Code Section 36-83-8;

- Repurchase agreements; and
- Obligations of other political subdivisions of this state.[2]

City code authorizes the chief financial officer to invest or reinvest all surplus funds of any type not immediately needed. According to established city guidelines, investment of public funds should provide maximum security and the best yield while meeting the daily cash flow demands of the city.[3]

Three divisions in the Department of Finance are responsible for cash pool activity and accounting. The Office of Treasury Services opens bank accounts for all new funds. The General Accounting Division (part of the Office of the Controller) creates the corresponding cash account on the general ledger. General accounting also calculates the investment income earned by participating funds and creates journal entries to record all activity in the general ledger. The Accounts Payable Division (also part of the Office of the Controller) processes vendor payments while treasury processes wire transfers and ACH (Automated Clearing House) transactions initiated by departments. Treasury is also responsible for investing the surplus funds from the cash pool (see Exhibit 3).

Exhibit 3: Cash Pool Responsibilities

Treasury	General Accounting	Accounts Payable
Opens New Bank Accounts	Creates General Ledger Accounts	Issues payments from the cash pool
Invest Surplus Funds	Calculates Interest Income	
Processes Wire transfers	Creates Journal Entries	
Processes ACH transactions		

Source: City Auditor's Office summary of finance policies and conducted interviews

[2] O.C.G.A. § 36-83-4. Authorized investments; delegation of investment authority to financial officer; objective of investment
[3] Atlanta, Georgia, Municipal Code, § 2-323. - Investing of city funds.

Audit Objectives

This report addresses the following objectives:

- Are all funds participating in the cash pool that should be?
- Are cash pool transactions properly recorded to the general ledger?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We focused our analysis on cash pool activity from July 2011 through December 2012 and primarily reviewed control procedures that are the responsibility of the General Accounting Division.

Our audit methods included:

- Interviewing city staff to understand key processes for the cash pool
- Reviewing the classification of participating and non-participating funds
- Analyzing the allocation of interest to participating funds
- Investigating bank accounts of participating funds that are excluded from the cash pool
- Testing the accuracy of the monthly cash pool close processes, including interest allocation and variance analysis

We deferred testing monthly bank reconciliation procedures because we plan to conduct a separate audit of reconciliations.

Generally accepted government auditing 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.

Findings and Analysis

Lack of Pool Participation Limits Cash Management Effectiveness

Currently 107 funds are excluded from participating in the cash pool with bond, tax allocation district, and grant funds making up 96 of the non-participating funds. The basis for excluding funds from the cash pool is unclear. Finance staff told us that funds are excluded from cash pool participation when commingling is prohibited by legislation or other external restrictions apply, but lack 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 participating funds are currently excluded from cash pool participation. Our review of documents related to five of the accounts found the exclusion was warranted for two of the five.

Lack of cash pool participation increases transaction and opportunity costs, as more transactions are required and less pooled money is available for investment. Further, non-participating funds have been slow to reimburse the cash pool. As of 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.

We recommend the chief financial officer evaluate the classification of each non-participating fund and document the criteria prohibiting each fund's inclusion in the cash pool. Funds without documented restrictions should be reclassified as cash pool participants. The chief financial officer should also ensure that departments with non-participant funds reimburse the cash pool promptly for expenses.

Reasons for Funds Not Participating Are Undocumented

Finance staff told us that legislation or other external restrictions govern whether a fund can participate in the cash pool. Staff said that in the absence of specific restrictions, the fund should participate, but lack documentation or institutional knowledge to support restrictions for the 107 non-participating funds.

The department identified 107 funds that are excluded from the cash pool. These funds consist mostly of bond, tax allocation district, and grant funds, which make up 96 of the non-participating funds (see Exhibit 4). While bond funds accounted for 75% of the non-participating funds, one bond fund —the annual bond fund — participates in the cash pool.

Exhibit 4: Non-Participating Funds by Type of Fund

Fund Type	Number of Funds
Bond	80
Tax Allocation District	10
Grant	6
Pension	4
Capital Projects	3
Trust	3
Proprietary	1
Grand Total	**107**

Source: Department of Finance list of non-participating funds

No documentation to support fund classification. Finance did not provide us with any documentation to support the reasons that funds were classified as participating or non-participating. Staff was uncertain why the annual bond fund participates in the cash pool while all other bond funds do not.

We reviewed legislation and other documents related to the establishment of the city's ten tax allocation districts. We identified no requirements that prohibit inclusion of tax allocation district proceeds in the cash pool, and state law[4] explicitly permits municipalities to invest tax allocation district proceeds in the same manner as other funds. We did not independently review bond documents to assess whether individual covenants prohibit pooling of funds.

Lack of Participation Increases Transaction and Opportunity Costs

Cash pooling is intended to reduce transaction costs and optimize investment opportunity. By limiting the number of funds that participate in the cash pool, the city reduces its effectiveness.

Lack of participation in the cash pool increases the number of transactions. After the Accounts Payable Division pays expenses of non-participating funds from cash pool, the General Accounting

[4] O.C.G.A. § 36-44-11: Positive tax allocation increments

Division sets up an inter-fund receivable and seeks reimbursement for the expenses. Departments responsible for the non-participating funds must submit wire transfer requests to the Office of Treasury Services to repay the amount owed. General accounting cannot initiate the reimbursement on its own.

Non-participating funds owe the cash pool. General accounting tracks funds owing or owed by the cash pool. As of December 2012 non-participants owed the cash pool about $60 million. By March 2013 the amount owed by non-participating funds was reduced to nearly $10 million.

Exhibit 5 shows the number of non-participating fund that owed the cash pool and the amounts owed as of December 2012 and May 2013. Overall non-participating funds owed the cash pool more than the pool owed these fund types.

Exhibit 5: Balances Due to the Cash Pool by Fund Category

Fund Type	Number of Fund Types tracked in Dec 2012	Value of Dec 2012 Amount by Fund	Number of Fund Types tracked in May 2013	Value of May 2013 Amount by Fund
Bond	22	-$35,253,362	16	-$6,076,758
Capital Projects	2	-$1,396,961	1	-$3,456,769
Grant	4	-$12,917,176		
Pension	4	-$1,698,332	2	-$376,575
TAD	5	-$7,295,760	2	-$2,290
Trust	1	-$490,734		
Grand Total	**38**	**-$59,052,325**	**21**	**-$9,912,393**

Source: Department of Finance Interfund Receivables Tracking Reports

General accounting's tracking sheet as of May 31st 2013 noted:

- The cash pool received no reimbursements from the 3129-2005A Park Improvement Bond for expenses incurred from March 2012 through April 2013. As of May 2013 this fund owed the cash pool more than $841,000 having owed about $60,000 in December 2012.
- The cash pool received no reimbursements from the 5523-Airport Commercial Paper Series 2010A fund for expenses incurred from July 2012 through March 2013. The amount owed almost doubled between December 2012 and May 2013.

- Duplicate repayments from six funds resulted in the cash pool owing those funds about $1.7 million.
- Fund 3128-2005 B, G.O. Bond Project, had no funds to repay the $9,069 owed to the cash pool.

Both lack of participation in the cash pool and late reimbursements to the cash pool increase opportunity costs by limiting surplus funds that could be invested. The chief financial officer should evaluate the classification of all non-participating funds and document the specific criteria prohibiting each fund's inclusion in the cash pool. Funds without restrictions should be reclassified as cash pool participants. The chief financial officer should also ensure that departments responsible for the remaining non-participant funds reimburse the cash pool promptly for expenses.

Some Bank Accounts of Participating Funds Are Excluded From the Cash Pool

The Department of Finance identified 17 accounts belonging to seven participating funds that were excluded from the cash pool. These accounts had a combined balance of $24.6 million at the end of December 2012. Most of the account balances were in the Water and Waste Water Revenue and Airport Revenue funds (see Exhibit 6).

We reviewed 5 of the 17 accounts excluded from the cash pool – two from watershed funds and three from aviation funds. These accounts contained about $23 million, over 94 percent of the combined balance for all excluded accounts as of December 2012.

Exclusion of watershed accounts is warranted. Two bank accounts under the Water and Waste Water Revenue participating fund were excluded from the cash pool. One account, the GEFA (Georgia Environmental Finance Authority) Debt Service account, was established to comply with GEFA's loan program. The program requires the borrower to establish a separate trust account (the "Debt Service Reserve Account") for the benefit of the lender. The Debt Service Reserve Account names GEFA as the beneficiary and prohibits the withdrawal of funds without GEFA's written consent. The other excluded bank account from the Water and Waste Water Revenue fund is part of active city litigation and as such must remain separate from the cash pool.

Exhibit 6: Total Account Balances in Participating Funds Excluded from the Cash Pool

Fund	Dec 2012 Balances	Percentage	Count of Accounts
Water & Waste Water Revenue	$ 18,803,344	76.5%	2
Airport Revenue	$ 4,414,881	18.0%	3
Trust Fund	$ 676,476	2.8%	5
Capital Finance	$ 423,229	1.7%	3
Group Insurance Fund	$ 145,267	0.6%	1
Agency Fund	$ 99,532	0.4%	1
General Fund	$ 32,331	0.1%	2
Grand Total	**$ 24,595,060**		**17**

Source: Oracle Financial Application

Aviation accounts should be part of the cash pool. Three bank accounts belonging to the Airport Revenue fund were excluded from the cash pool. The Airport Revenue Depository and the Airport Parking Depository accounts were set up to receive deposits from entities that conduct activities on airport property and the department's parking operator. While the accounts do not automatically sweep balances to the cash pool, staff transfers funds to the pool bi-monthly, leaving a $1.5 million balance in each account. Treasury staff acknowledged no wire transfers occurred for the Airport Revenue Depository during July 2011 through November 2011 resulting in a onetime transfer of almost $149 million during December 2011. Neither the Department of Aviation controller nor the Debt and Investments staff in the Department of Finance could provide the rationale for the established target balance. We noted instances in which aviation staff initiated wire transfers that resulted in account balances below the target balance, suggesting that the target balances may be unnecessary.

Treasury established the third aviation account, the Airport EMS account, to support a third party vendor agreement with Revenue Rescue Incorporated, a subsidiary of Intermedix Corporation. The agreement allows the vendor to bill individuals, insurance companies, Medicare, and Medicaid for use and transport for services rendered by the Atlanta Fire Rescue Department at Hartsfield-Jackson Atlanta International Airport. The agreement requires the vendor to direct payments to a city-designated lockbox or bank account to which city alone has signature authority. The city is required to provide the vendor with monthly bank reports.

Nothing in the agreement requires segregation of the account by the city.

General ledger activity for the account began in May 2012. The account accumulated about a $420,000 balance through December 2012. No money was transferred to the cash pool. We reviewed bank statements for May, June, July, and December 2012; the account earned no interest and incurred monthly service charges averaging $513.

We recommend placing the Airport Revenue Depository, Airport Parking Depository and Airport EMS accounts into the cash pool structure. We further recommend the chief financial officer evaluate the need for maintaining $1.5 million balances in the Airport Revenue Depository and Airport Parking Depository bank accounts.

Controls to Identify Material Errors Are Effective

General accounting reviews, analyzes, and reconciles the cash pool balances to city financial records every month during its close out process. While we found no errors in the variance analysis, spreadsheet errors 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.

We have not yet tested the accuracy of monthly bank reconciliations because these are the subject of a separate audit in our current audit plan.

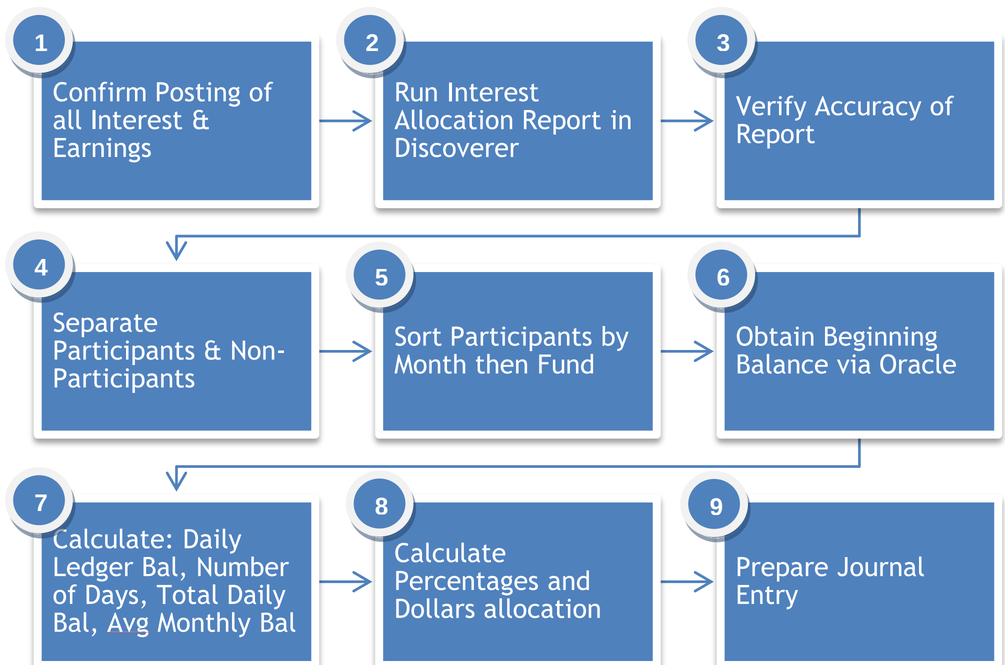
We recommend the controller implement a review of the year-end true-up calculation to ensure the accurate calculation and recording of interest to participating funds.

Spreadsheet Errors Allowed Misallocation of Interest among Funds

General accounting calculates interest allocated to funds participating in the cash pool as part of its monthly close out procedures. The monthly interest allocations are recorded as estimates. General accounting performs a year-end “true-up” of the monthly estimates by recalculating each fund’s investment in cash pool using an average daily/monthly balance method. General accounting then records any adjustments required to monthly estimates at year end.

Exhibit 7 shows the steps general accounting takes to calculate and record the interest allocation for participating funds. In steps four through eight general accounting staff use a Microsoft Excel workbook to manually derive the interest allocation for each fund.

Exhibit 7: Cash Pool Interest Allocation – Flow Chart



Source: Department of Finance Cash Pool Process and Procedures Presentation

We reviewed the year-end interest allocation work book for fiscal year 2012 and noted multiple errors resulting from referencing the wrong cells in a formula and omitting cells in aggregate sum formulas. These errors resulted in the misallocation of about $87,100 in interest to participating funds, representing 2.3% of the interest earned in fiscal year 2012. The biggest impacts occurred in the:

- Special 1% Sales and Use Tax fund, which owed the cash pool about $10,000 but instead received interest income of almost $30,000
- General fund, which received almost $22,300 less in interest due

- Airport Renewal Extension fund, which received about $9,400 less in interest due
- Water and Waste Water Revenue fund, which received almost $2,800 less in interest due
- Water and Waste Water Renewal Extension fund, which received almost $5,300 less in interest due

Errors for the rest of the participating funds ranged between owing the cash pool just over $1,700 to receiving about $1,640 less interest than due.

While a 2.3% error is not large, we recommend the controller direct staff to use functions within Excel to verify formulas used in the year-end true up calculation to ensure the accurate calculation and recording of interest to participating funds.

Month-to-Month Variance Analysis Functioned as an Effective Control

General accounting also analyzes changes in cash pool balances for participating funds as part of its month end close process. Staff calculates changes in month-to-month balances and researches the reasons for any change of 10% or more and any change in value of more than $100,000. The analysis is intended to flag material errors that may affect the investment in cash pool. According to the American Institute of Certified Public Accountants:

> "Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users made on the basis of the financial statements."

We reviewed the variance analysis reports prepared for October, November and December 2012. Staff had prepared each report timely and each report contained notes explaining variances that met the threshold. General accounting also tracks and compiles a monthly list of non-participating funds that owe or are owed by the cash pool. Staff distributes the report to departments requesting their review and reimbursement. The monthly report lists major concerns, duplicate payments, no recent payments, and other.

Recommendations

1. The chief financial officer should evaluate the classification of non-participating funds and document the specific criteria prohibiting each fund's inclusion in the cash pool. Funds without restrictions should be reclassified as cash pool participants.

2. The chief financial officer should also ensure that departments responsible for the remaining non-participant funds reimburse the cash pool promptly for expenses

3. The chief financial officer should add the Airport Revenue Depository, Airport Parking Depository and Airport EMS bank accounts into the cash pool structure. The chief financial officer should also evaluate the need for maintaining $1.5 million balances in the Airport Revenue Depository and Airport Parking Depository bank accounts.

4. 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.

Appendices

Appendix A Management Review and Response to Audit Recommendations

Report # 13.04	Cash Pool		10/18/2013
Recommendation # 1: The chief financial officer should evaluate the classification of non-participating funds and document the specific criteria prohibiting each fund's inclusion in the cash pool. Funds without restrictions should be reclassified as cash pool participants.			
Proposed Action:	The City of Atlanta Department of Finance agrees with this recommendation. The City of Atlanta Office of Treasury will review all 107 non- participating funds and determine the validity of such classification. The Treasury Office will also update policies and procedures to include guidelines on classification of funds as a cash pool participant.		
Implementation Timeframe: 6 months	Responsible Person: Treasury Chief		Degree of Agreement: Agree
Recommendation # 2: The chief financial officer should also ensure that departments responsible for the remaining non-participant funds reimburse the cash pool promptly for expenses			
Proposed Action:	The City of Atlanta Department of Finance believes the onus of making timely payments to cash pool rests with the individual departments owing money to cash pool. Currently there is monthly reporting provided by General Accounting Department to owners of all non- participating funds providing detailed information on the aging and nature of expenses. The Treasury Department recommends incorporating practices of accountability. After three months, notification of delinquent cash pool reimbursements will be sent to City Commissioners. The subsequent month, Treasury will initiate an automatic transfer with the exception of cases where there is a dispute. The Controller's Office will work with departments directly to resolve such matters so as to enable prompt reimbursement to cash pool.		
Implementation Timeframe: 4 months	Responsible Person: Treasury Chief		Degree of Agreement: Partially Agree

Report # 13.04	Cash Pool	10/18/2013

Recommendation # 3:

The chief financial officer should add the Airport Revenue Depository, Airport Parking Depository and Airport EMS bank accounts into the cash pool structure. The chief financial officer should also evaluate the need for maintaining $1.5 million balances in the Airport Revenue Depository and Airport Parking Depository bank accounts.

Proposed Action:	The City of Atlanta Department of Finance agrees with this recommendation. The Treasury Office will initiate converting the Airport Revenue Depository, Airport Parking Depository and Airport EMS bank accounts as ZBA accounts to ensure automatic "sweeping" of funds to cash pool.

Implementation Timeframe:	Responsible Person:	Degree of Agreement:
2 Months	Treasury Chief	Agree

Recommendation # 4:

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.

Proposed Action:	The City of Atlanta Controller's Office agrees to implement a peer review process to ensure the accurate calculation of year-end interest to participating funds.

Implementation Timeframe:	Responsible Person:	Degree of Agreement:
Fiscal Year 2014	Controller	Agree