

City of Olympia
Investment Program
Internal Control
Date: 5-28-2015 Draft

Goals of this process

1. Ensure proper internal controls are in place with regards to the investment program.
2. Ensure compliance with internal controls by authorized persons.
3. Provide tools to establish, properly document, monitor, maintain, and adhere to the organization's system of internal controls.

Internal Control Goals:

- Protect the assets of the City
- Ensure the validity of financial records and reporting
- Promote adherence to policies and procedures, as well as compliance with laws and regulations
- Achieve effective and efficient operations

Components of Internal Controls:

1. Preventative control activities (proactive controls)
2. Detective control activities (monitoring controls)

PREVENTATIVE CONTROLS:

Preventative controls, are controls supported by policies and procedures that attempt to prevent or deter undesirable acts from occurring. They are controls designed to prevent a loss, error or omission from occurring.

- Proper Authorization
- Separation of Duties
- Adequate Documentation
- Custody of Securities

Authorization: The Director of Administrative Services authorizes the Fiscal Services Director (Finance Manager) or designee to perform certain tasks and to execute certain transactions within the parameters of the investment policy. The policy also provides guidance on controls for delegating certain roles of the investment program, including investment transactions.

Investment Officers:

Fiscal Services Director	Dean Walz
Accounting Supervisor	Bill Sampson

In the absence of the investment officers listed above the Director of Administrative Services is authorized to act as an investment officer.

Investment Advisor:

Deanne Woodring, CFA
Dave Westcott, CFA
Luke Schneider, CFA

Government Portfolio Advisors

Cash Manager:

Staff within the Fiscal Services Division assigned to monitor, balance and reconcile banking activity.

Segregation of duties: Given the small size of the City Finance office, no single individual may be authorized to perform more than one task in the chain of cash collection or disbursement unless there are alternate controls which cover the risk.

- An Investment Officer will authorize the Investment Advisor to make specific security transactions.
- The Investment Advisor will seek independent pricing on the security transaction from the approved broker dealer list.
- The Investment Advisor will notify the custodian bank and an Investment Officer on details of the transaction for settlement.
- An Investment Officer will sign off on the transaction and prepare documentation to transfer funds. All banking transfers are reviewed by the Cash Manager (no less than monthly).
- The Investment Advisor will never have control of handling cash or directing the transfer of funds from any of the City's accounts.
- The Investment Advisor shall provide the City with a monthly report on the investment portfolio to the Finance Manager.

- The Finance Manager will provide at minimum quarterly reporting including City bank balances and investments to the Director of Administrative Services.
- The Investment Advisor shall not have direct control of any cash or cash transfers.
- If an Investment Officer makes a specific security transaction, that transaction shall be approved by the Director of Administrative Services. In the case where the transaction is made by the Director of Administrative Services, the transaction shall be approved by the City Manager.
- Any wire transfer prepared by the City shall require a secondary approval.

Adequate Documents: Ensure that documentation is completed in regards to stated policy and procedures.

- The Finance Manager shall have the Investment Advisor provide a compliance report quarterly that compares and confirms the policy guidelines relative to the investment positions.
- An investment Officer shall receive a competitive pricing document with each transaction executed by the Investment Advisor.
- The Investment Advisor shall maintain documents showing the competitive pricing on all transactions. These will be available upon request.
- The Investment Advisor shall maintain a document balancing the portfolio holdings records maintained by the City to the third party custodial bank statements.
- An Investment Officer shall review all documents for accuracy and adequacy.

Custody of Securities: Ensure that securities are held in a third-party custodial bank or by the City.

- The City shall contract with a third party safekeeping agent to hold all marketable investment securities.
- Bank certificates of deposit and debt issued by the City of Olympia may be safe kept by the Treasurer of the City of Olympia.
- The Finance Manager shall have accounts set up at the approved broker/dealers to transact on the Delivery vs Payment (DVP) basis. This provides for the protection of City funds.

- The Finance Manager shall maintain bank deposits only at banks that are either fully insured by the FDIC, or participants of the Public Funds Collateralization Program (PFCP) of the Treasurer of the State of Washington.
- The City shall receive safekeeping statements either electronically or physically on a monthly basis.
- The safekeeping agent will be tied to only one of the City's bank accounts.

DETECTIVE CONTROL ACTIVITIES:

Detective controls are controls supported by policies and procedures that attempt to detect undesirable acts that have already occurred. They are monitoring controls that provide evidence that the preventive controls are functioning and preventing losses. They provide after-the-fact evidence that a loss or error has occurred, but do not prevent them from occurring.

- Reconciliation – statements to reports
- Analytical Reviews – summary data, budgets, reports
- Internal audit – ongoing

Reconciliation: The Investment Advisor reconciles and compares the monthly bank statement to the City's internal securities holding report. All differences in data should be identified and investigations into variances should lead to corrective actions, if necessary. For example: Cash balances at banks and LGIP totals should balance. Security holdings by CUSIP and maturity should match.

Analytical Reviews: The Investment Advisor and Finance Manager shall design an investment strategy plan annually and periodically make adjustments when the investment environment changes. The Investment Advisor will provide an update of the plan compared to the actual portfolio quarterly.

Internal Audit: The Finance Manager shall establish processes and internal control systems with regards to the investment program. When discrepancies are discovered which could jeopardize the safety of City assets they shall be reported to management personnel not involved in the discrepancy.