



SOLANO COUNTY GRAND JURY
2011-12

CITY TREASURER FUNCTIONAL REVIEW

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2011-12 Solano County Grand Jury

I. SUMMARY

The Grand Jury investigated Solano County city treasurers to determine and review treasurer duties, functions, and responsibilities and to ensure that treasurers complied with applicable state and local requirements. The Grand Jury concluded that, over time, most city treasurer tasks had migrated to other city staff, primarily finance directors. As a result, city treasurers in Solano County generally did not perform the tasks identified by state code. For example, California Government Code §41001 states, “The city treasurer shall receive and safely keep all money coming into his hands as treasurer.” The Grand Jury found no city treasurer in Solano County who had “money coming into his hands” (receipt of funds was generally accomplished by the finance department); therefore, the requirement to “receive and safely keep all money” was not applicable to city treasurers.

The following table summarizes the city treasurer duties, functions, and responsibilities found in the California Government Code, and indicates whether those tasks were performed or were not applicable to a particular city:

Accomplishment of California Government Code: Results Summary

	§41001 Receive & Keep \$ Properly	§41002 Deposit & Secure \$ Properly	§41003 Properly Pay out \$ on Auth. Signature	§41004 Properly Submit Written Rpt.	§41005 Collect Taxes & Fees Properly	§41006 Appoint Deputies	§41007 Deputies Serve Treasurer
Benicia	NA	NA	Electronic Signature. No Review	No	NA	NA	NA
Dixon	NA	NA	NA	No	NA	NA	NA
Fairfield	NA	NA	Electronic Signature. No Review	No	NA	Yes	NA
Rio Vista	NA	NA	Hand Signature. W Review	No	NA	NA	NA
Suisun City	NA	NA	Electronic Signature. No Review	No	NA	NA	NA
Vacaville	NA	NA	NA	No	NA	NA	NA
Vallejo	❖	❖	❖	❖	❖	❖	❖

NA= Not Applicable. ❖= Not Relevant (as a charter city, Vallejo is not bound by these sections of State Code).

As reflected by the table, although most provisions were not applicable, the section of code related to submitting a monthly written report was not accomplished by any city treasurer in Solano County. In addition, the Grand Jury noted several issues and concerns, including the following:

- The duties, functions, responsibilities, and organizational reporting structure for city treasurers were not accurately, clearly, and/or succinctly reflected in city documents. Weaknesses were identified in all seven cities. However, the City of Benicia passed an ordinance (see attachment) during the course of the review that could serve as a model for formalizing city treasurer duties, functions, and responsibilities.
- Documentation supporting public notice of committee meetings attended by city treasurers did not exist or were not accurate in four cities, indicating possible non-compliance with the Ralph M. Brown Act. As a best practice, City of Rio Vista meeting agendas contained a certified statement that attested to the date, time, and location of public notice.

II. INTRODUCTION

City treasurer is an officer within city government. A city treasurer may be elected or appointed depending on the prevailing laws of the city. Although a public treasurer is generally responsible for “managing the revenue and cash flow of the agency, banking, collection, receipt, reporting, custody, investment or disbursement of ... funds,”¹ over the years, many of the duties and responsibilities originally performed by city treasurers have been transferred to other officers and staff of the city. As a result, in many cases the city treasurer has little or no responsibility or authority.

California cities are generally classified as either charter or general law.² Charter cities have flexibility in the way they are governed. General law cities (i.e., cities that do not establish a charter) are bound by California Government Code. According to the League of California Cities, as of July 1, 2011, there were 482 cities in California, of which 120 (25 percent) were charter cities. In Solano County, Vallejo is the only charter city.

Among other things, charter cities can determine if a city treasurer is required, if the position is elected or appointed, minimum requirements/qualifications for the post, and the duties associated with the job. As a city’s needs change, the charter can be revised (by voter approval), to update (or in fact delete) the City Treasurer position.

¹ www.en.wikipedia.org

² The lone exception to the general law or charter designation is the consolidated City and County of San Francisco

By default, city treasurers in general law cities are elected. Voter approval is needed to make the position appointive.³ As of April 29, 2010, the League of California Cities reported that 173 (36 percent) of California cities had elected city treasurers, leaving 309 (64 percent) with either an appointed treasurer or no treasurer at all.

By ordinance, a general law city may opt to delete the position of city treasurer by transferring the functions of the position to the County Treasurer;⁴ however, the fees associated with such a transfer (1/4 of one percent of money collected by the County Tax Collector⁵) make this option less than desirable.

No specialized training, background, or professional certification is required to be a city treasurer in a general law city. The only requirement is that the treasurer be a registered voter residing within the city limits.⁶

Compensation for the city treasurer is determined by the city council.⁷

Duties, functions, and responsibilities of city treasurers in general law cities are identified in California Government Code §§41001-41007. General law cities may add functions to those required by state code. For example, some cities in Solano County require their city treasurer to sit on the City's Investment or Finance Committee. Some cities utilize the treasurer's electronic signature on their checks, while other cities require city treasurer approval/authorization to open bank accounts.

Meetings of a city's investment, finance, or other like organizations /committees are generally considered public meetings and must adhere to the Ralph M. Brown Act (Brown Act). The Brown Act is California's open meeting law. In part, the law requires published agendas for public meetings. An agenda must list all items that will be discussed or acted upon, and must be written in such a way as to allow the general public to understand the nature of the meeting and to make an informed decision to attend the meeting or not. The Brown Act further requires that agendas for regular meetings be posted in an area accessible to the public at least 72-continuous hours prior to the meeting. Meetings designated as "special" require a minimum 24-hour public notice.⁸

³ The process for making the City Treasurer an appointed position is identified in California Government Code §§36508-36509

⁴ California Government Code §51501

⁵ California Government Code §51515

⁶ California Government Code §36502

⁷ California Government Code §36517

⁸ California Government Code §§54950-54962

The Grand Jury conducted this investigation to identify and review the functions, duties, and responsibilities of city treasurers within Solano County, and to determine if city treasurers complied with prevailing state and local requirements.

III. METHODOLOGY

The scope of the review focused on the functions, duties, and responsibilities performed by city treasurers in Solano County. The scope did not extend to treasurer activities that had migrated to other city officers or staff. For example, where cities utilized automated bill-paying processes to issue warrants/checks, the Grand Jury simply noted if the treasurer's signature was administratively used (embedded in the check-writing software, for example) and if the treasurer reviewed support documents to ensure that checks were appropriate and authorized. The Grand Jury did not review the compensating checks and balances that may have occurred in other city offices and departments, such as the Finance Department. The methodology used by the Grand Jury included:

- Interviews and discussions with the City Treasurers of
 - Benicia
 - Dixon
 - Fairfield
 - Rio Vista
 - Suisun City
 - Vacaville
 - Vallejo
- Interviews and discussions with various city officials, including, but not limited to, city managers, city attorneys, and finance directors for some or all of cities listed above.
- Review of California Government Code
- Examination and analysis of local codes, ordinances, policies, and memorandums
- Review and analysis of agendas and minutes of local committees attended by city treasurers
- Review of city websites
- Analysis of records maintained by the Solano County
 - Registrar of Voters
 - Assessor
 - Tax Collector
- Research of Internet articles and reports
- Inspection of various city documents including, but not limited to:
 - Investment records
 - Bank statements
 - Revenue and expenditure reports
 - Organization charts
 - Financial Reports

IV. STATEMENT OF FACTS

California Government Code §§41001-41007 identifies the functions, duties, and responsibilities of city treasurers in general law cities. The specific code, and what the Grand Jury discovered regarding compliance with that code by Solano County city treasurers, is as follows:

- §41001: “The city treasurer shall receive and safely keep all money coming into his hands as treasurer.”

The Grand Jury found no city treasurer who received money.

- §41002: “He shall comply with all laws governing the deposit and securing of public funds and the handling of trust funds in his possession.”

The Grand Jury found no city treasurer who made deposits or handled trust funds.

- §41003: “He shall pay out money only on warrants signed by legally designated persons.”

The Grand Jury found three cities (Benicia, Fairfield, and Suisun City) that administratively utilized their treasurer’s electronic signature on all city warrants/checks. None of the three treasurers reviewed support documents to ensure that warrants/checks bearing their signature were appropriate and approved by legally designated persons.

The Grand Jury identified one treasurer (Rio Vista) who physically signed checks as an alternate signatory. The treasurer stated that checks were not signed unless they were properly approved and adequately supported.

- §41004: “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

The Grand Jury found no city treasurer who provided a written accounting as required by the provision.⁹

- §41005: “The city treasurer shall perform such duties relative to the collection of city taxes and license fees as are prescribed by ordinance.”

The Grand Jury found no city treasurer who collected city taxes and license fees, nor did the Grand Jury identify any local ordinance that required said collection.

⁹ The Grand Jury requested the accounting reports for May, June, and July 2011. No city was able to provide a report that satisfied the criteria of “accounting of all receipts, disbursements, and fund balances.”

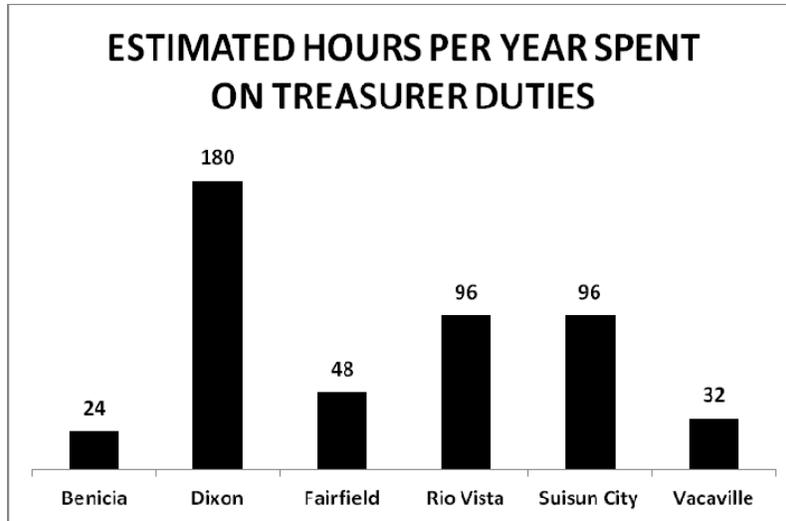
- §41006: “The city treasurer may appoint deputies for whose acts he and his bondsmen are responsible.”

The Grand Jury found one city treasurer (Fairfield) who appointed deputies. However, the appointing document was nearly eight-years old, and, two of the three appointed deputies were no longer associated with the city, including one who was deceased.

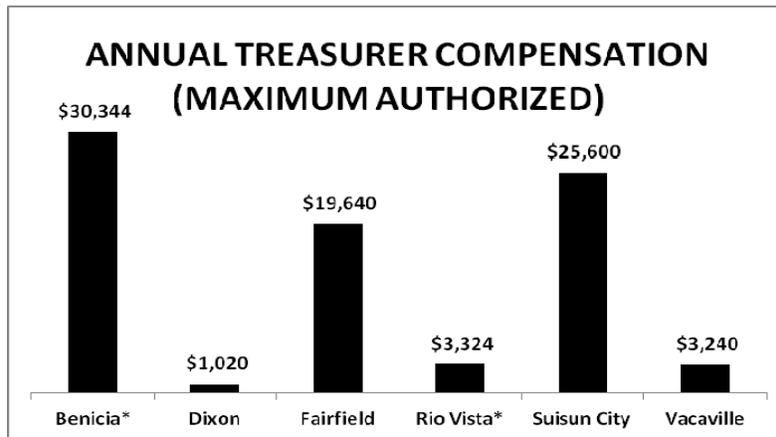
- §41007: “The deputies shall hold office at the pleasure of the city treasurer and receive such compensation as is provided by the legislative body.”

The Grand Jury found no deputy city treasurer who received compensation.

As part of the investigation, the Grand Jury obtained compensation information for each of the six elected treasurers in Solano County. In addition, estimates of time spent performing treasurer duties was gathered. Comparison of time spent performing duties and authorized compensation found no correlation between effort and pay.¹⁰



Source: Interview



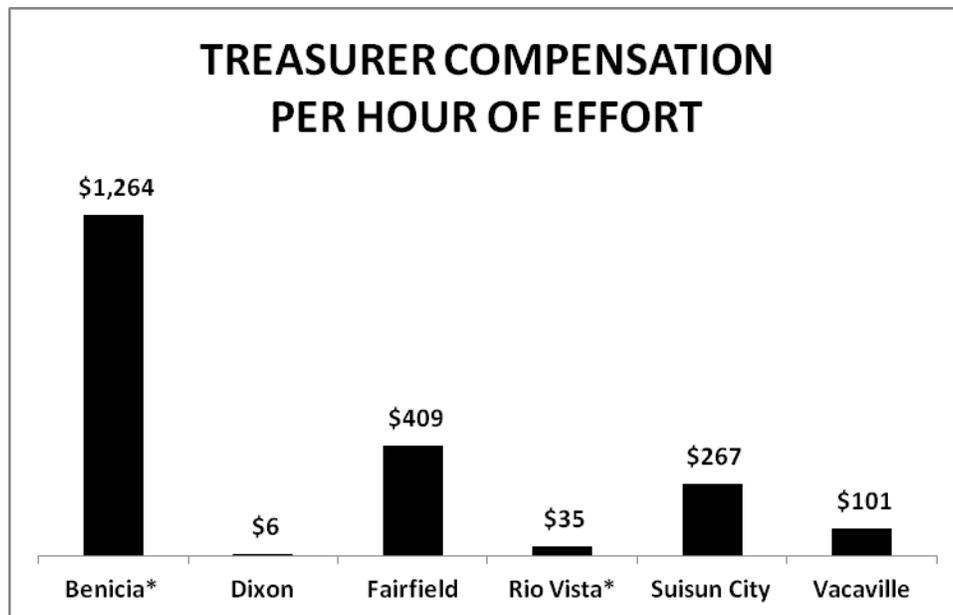
Source: Written submission

*Footnote 10 applies

¹⁰ Compensation information reflects what was in effect at the time each city treasurer was interviewed. The Benicia City Treasurer was interviewed on September 15, 2011. At the time of interview, the Benicia City Council was considering an ordinance to reduce the treasurer's compensation. The ordinance was passed on September 20, 2011, and established a maximum annual entitlement of \$2,400 plus a related retirement benefit. In addition, no compensation information was available for the City of Rio Vista because City staff was unable to locate an ordinance or other document that detailed the City Treasurer's compensation package. As a result, the Grand Jury used actual compensation information obtained from the City of Rio Vista's 2011-12 budget for a period (2007-08) wherein the City Treasurer did not appear to waive compensation.

Using the compensation data and the estimated hours of effort, the Grand Jury calculated the hourly rate for each treasurer. Although the results provide an interesting comparison, the following cautions and or notes apply:

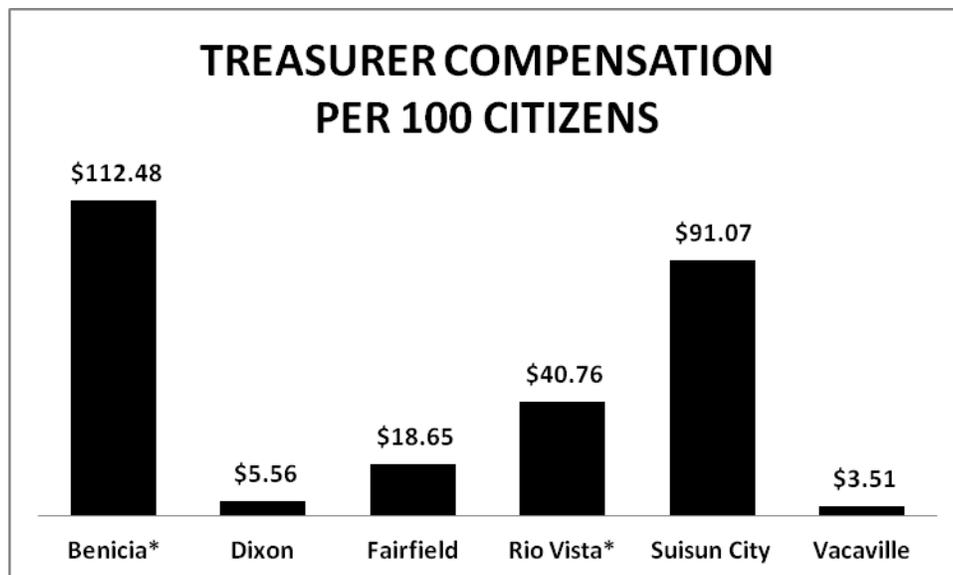
- Compensation reflects the maximum a city treasurer was authorized, and may not reflect what an incumbent actually received (e.g., two incumbents waived all compensation).
- Compensation data represents what was in place at the time each city treasurer was interviewed.
- The City Council of Benicia reduced the City Treasurer’s maximum compensation package to \$229 per month effective October 20, 2011. Based on the estimate of two hours of effort per month, the revised package reflects a rate of \$115 per hour, not \$1,264 per hour as indicated by the following graph.
- Hours of work are an unsubstantiated estimate.
- Rio Vista officials were unable to determine the authorized compensation package for the City Treasurer. Therefore, the Grand Jury used actual compensation information obtained from the City of Rio Vista’s 2011-12 budget for a period (2007-08) wherein the City Treasurer did not appear to waive compensation.



* Footnote 10 applies

Utilizing 2010 census information, the Grand Jury calculated each city treasurer's maximum authorized compensation package per 100 citizens. Readers are reminded that:

- The City Council of Benicia reduced the City Treasurer's maximum compensation package to \$229 per month (\$2,748 per year) effective October 20, 2011. Using the new compensation figure, the cost per 100 citizens for the City Treasurer of Benicia is \$10.19, not \$112.48 as shown on the following graph.
- Rio Vista officials were unable to determine the authorized compensation package for the City Treasurer. Therefore, the Grand Jury used actual compensation information obtained from the City of Rio Vista's 2011-12 budget for a period (2007-08) wherein the City Treasurer did not appear to waive compensation.



*Footnote 10 applies

Benicia

The elected Treasurer died in office. As a result, a treasurer was appointed by the City Council to complete the term. The Grand Jury confirmed that the City Treasurer was a registered voter and resided within the City. At the time of inquiry (September 15, 2011), the incumbent had served approximately one year.

The Treasurer's functions and duties were not formalized. The Grand Jury ascertained that the following functions were performed:

- Attend monthly meetings of the City's Finance Committee
- Countersign warrants

The provisions of California Government Code §§41001-41007 were not applicable except as follows:

- §41003: The City utilized the Treasurer's electronic signature on all City warrants. However, the Grand Jury determined that the incumbent did not review support documents to ensure that warrants bearing the Treasurer's signature were appropriate and approved by legally designated persons.
- §41004: During the review period, monthly accounting reports were neither prepared nor submitted as required.

Accomplishment of Treasurer duties required approximately two hours per month (i.e., attending the Finance Committee meeting). At the time of the Grand Jury's inquiry, the City Treasurer was authorized an annual compensation package up to \$30,344;¹¹ however, the Treasurer had waived all compensation.

Review of Finance Committee agendas found that they appeared to be properly posted as required by the Brown Act.

Of note is that on September 20, 2011, the Benicia City Council passed Ordinance 11-09 (see attachment), which did four things that impacted the City Treasurer position:

- Transferred all statutory duties to other city officers and staff.
- Formalized the duties; i.e., countersign warrants and serve on the Finance Committee.
- Reduced annual compensation beginning in October 2011 to \$2,400 (\$200 per month) with related retirement benefits.

¹¹ The rounded compensation package totals included monthly benefits for salary (\$583), retirement (\$108), health/dental/vision insurance (up to \$1,836), and life insurance (\$2).

- Identified a list of desirable qualifications (e.g., knowledge of municipal revenue sources and ability to invest idle funds in a wise and prudent manner).

City of Benicia Summary (Data Date September 15, 2011)

REQUIREMENT	DESCRIPTION	REQUIREMENT MET
CGC §41003	Pay approved warrants	*
CGC §41004	Submit monthly accounting report	NO ¹²

* The Grand Jury did not review processes and controls that were not directly managed by the Treasurer.

ESTIMATED HOURS WORKED PER MONTH	2
ANNUAL PAY AND BENEFITS (AUTHORIZED)	\$ 30,344 ¹³
ANNUAL PAY AND BENEFITS (ACTUAL)	\$ 0

¹² City of Benicia Ordinance 11-09 (approved on September 20, 2011) transferred all “statutory duties and responsibilities” from the City Treasurer to the City Manager, the Finance Director, or the City Clerk. Per discussion with city officials, the monthly reporting requirement was not being accomplished.

¹³ City of Benicia Ordinance 11-09 (approved on September 20, 2011) revised the authorized pay and benefits beginning in October 2011 to \$2,400 per year plus related retirement benefits.

Dixon

The elected Treasurer resigned and a replacement was appointed by City Council. The Grand Jury confirmed that the appointed City Treasurer was a registered voter and resided within the City. At the time of inquiry (September 22, 2011), the incumbent had served approximately eighteen months.

The City of Dixon did not have a single document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. Instead, City Treasurer functions, duties, and responsibilities were found in portions of at least two City documents:

- Ordinance 99-003: Various duties and functions of the City Treasurer were found throughout the ordinance. Specifically:
 - “The Treasurer’s Funds and Unrestricted Funds shall be delivered to the City Treasurer for deposit.”
 - “The City Treasurer has the statutory authority to select the depository or depositories for the Treasurer’s Funds and the Unrestricted Funds.”
 - Submit quarterly investment reports to the City Manager and City Council as required by California Government Code §53646(b)(1).¹⁴
 - Submit monthly reports to the City Manager and City Council as required by California Government Code §41004.
 - Serve on the Investment Oversight Committee.
- City of Dixon Statement of Investment Policy for FY 2011-12:
 - “The City Treasurer will be an active member of the Investment Committee as well as performing for the City those depository and investment functions as to the funds of the City which come into his or her hands as said depository and investment duties are provided for by statute, regulation, ordinance or resolution.”
 - “Reports on the status and performance of the City’s investment program will be provided by the Treasurer to the City Manager and the City Council within four weeks after the end of each quarter.”

The Grand Jury ascertained that the following functions were performed:

- Oversee City banking

¹⁴ California Government Code §53646(b)(1) states that “The treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. ”

- Serve on Dixon’s Investment Committee (the committee meets at least quarterly)
- Review the City’s investment policy

The provisions of California Government Code §§41001-41007 were not applicable except as follows:

- §41004: During the review period, monthly accounting reports were neither prepared nor submitted as required.

Accomplishment of Treasurer duties required approximately fifteen hours per month. The Dixon Treasurer received annual compensation totaling \$1,020 (\$85 per month) with no other benefits.

The Grand Jury was advised that Investment Committee agendas were posted in compliance with the Brown Act.

At least one investment report was not submitted to the City Manager and City Council within four weeks following the end of the quarter as required by City of Dixon Statement of Investment Policy for FY 2011-12 and within 30 days of quarter’s end as required by California Government Code §53646(b)(1). Specifically, at the time of the Grand Jury’s request for information (August 18, 2011), the investment report for the quarter ended June 30, 2011 was scheduled to be submitted at the September 2011 City Council meeting.

The Grand Jury ascertained that no monthly reports were prepared or submitted during the period of review as required by both California Government Code §41004 and City of Dixon Ordinance 99-003.

The City of Dixon Statement of Investment Policy for FY 2011-12 states that the Investment Committee “will meet at least quarterly.” In part, the Grand Jury’s request for information dated August 18, 2011 asked for agendas and minutes of the last two meetings of Dixon’s Investment Committee. In response, the Grand Jury received agendas and minutes for a meeting held on June 24, 2010 and an agenda for a meeting scheduled for November 10, 2010.

The City of Dixon organization chart¹⁵ indicated that the City Treasurer reported to the City Council. As an elected official, the City Treasurer answers to the voters. In addition, the organization chart reflected that the City Treasurer was responsible for finance, information technology, and administrative services. With the exception of the organization chart, the Grand Jury reviewed no document and heard no testimony to support that the City Treasurer was responsible for the day-to-day operation of any City department.

¹⁵ The organization chart was obtained from the City of Dixon’s website on October 16, 2011.

City of Dixon Summary (Data Date September 22, 2011)

REQUIREMENT	DESCRIPTION	REQUIREMENT MET
CGC §41004	Submit monthly accounting report	NO
Ordinance 99-03	Establish bank accounts	YES
Ordinance 99-03	Deposit Treasurer and Unrestricted funds	NO
Ordinance 99-03	Submit quarterly investment reports within 30 days	NO
Ordinance 99-03	Submit monthly accounting report	NO
Ordinance 99-03	Serve on Investment Committee	YES
Invest. Policy 2011-12	Perform depository and investment duties	YES
Invest. Policy 2011-12	Submit quarterly investment reports within 4 weeks	NO

ESTIMATED HOURS WORKED PER MONTH	15
ANNUAL PAY AND BENEFITS (AUTHORIZED)	\$ 1,020
ANNUAL PAY AND BENEFITS (ACTUAL)	\$1,020

Fairfield

The City Treasurer for Fairfield has held the position continuously since 1995. The Grand Jury confirmed that the City Treasurer was a registered voter and resided within the City.

The City of Fairfield did not have a single document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. Review of City documents found one reference to a function of the City Treasurer: City of Fairfield Internal Investment Instructions dated July 9, 1998 stated, “No bank accounts shall be opened without written authorization from the City Treasurer.” However, this requirement was contradicted by City of Fairfield Investment Instructions to Investment Manager dated January 10, 1989 and revised on February 29, 2003, which stated, “No bank accounts shall be opened without written authorization from the Director of Finance.” Upon inquiry by the Grand Jury, an official for the City of Fairfield stated that, in fact, the City Treasurer (or an assigned deputy) was the only person authorized to open bank accounts for the City.

The Grand Jury ascertained that the following functions were performed:

- Open and close all city bank, investment, and trust accounts
- Sign checks (Note: The treasurer’s signature was embedded in the check-writing software)
- Monitor investment portfolio and meet quarterly with investment managers

Subsequent review of city documents found no requirement for City Treasurer involvement in the investment process. To the contrary, City of Fairfield Internal Investment Instructions dated July 9, 1998 stated, “Investment Committee – A committed [sic] comprised of the Director of Finance, Assistant Finance Director, Revenue Officer, and Principal Accountant shall meet no less than quarterly to review investment markets, strategies and performance.” However, the Grand Jury was advised that, in fact, the City Treasurer was a member of the Investment Committee.

The provisions of California Government Code §§41001-41007 were not applicable except as follows:

- §41003: The City utilized the Treasurer’s electronic signature on all City checks. However, the Grand Jury determined that the incumbent did not review support documents to ensure that checks bearing the Treasurer’s signature were appropriate and approved by legally designated persons.
- §41004: During the review period, monthly accounting reports were neither prepared nor submitted as required.

- §41006: A Finance Department memorandum dated December 5, 2003 appointed three city employees as City Treasurer deputies. Grand Jury inquiries revealed that:
 - Deputies were required to perform treasurer functions if the incumbent was to become incapacitated.
 - Two of the three deputies were no longer associated with the city.
- §41007: The Grand Jury was advised that deputies received no compensation or other benefit for their assignment.

Accomplishment of Treasurer duties required approximately two hours per month. However, the estimate was increased to eight hours on months when the Investment Committee met. The City Treasurer received an annual salary of \$2,280 (\$190 per month), and approximately \$1,000 in various benefits such as payment of professional dues and training. Although the Treasurer was entitled to City paid health/dental/vision insurance up to \$16,377 per year, that entitlement was waived by the incumbent.

The Grand Jury was advised that the Investment Committee prepared neither agendas nor minutes of meetings. As a result, the Grand Jury was unable to validate the attendance at, or the frequency of, committee meetings. In addition, the absence of publically posted agendas may be a violation of the Brown Act.

City of Fairfield Summary (Data Date September 30, 2011)

REQUIREMENT	DESCRIPTION	REQUIREMENT MET
CGC §41003	Pay approved warrants	*
CGC §41004	Submit monthly accounting report	NO
CGC §41006	Assign deputies	YES
CGC §41007	Pay deputies	NA
Investment Instr.	Open bank accounts	YES

* The Grand Jury did not review processes and controls that were not directly managed by the Treasurer.

ESTIMATED HOURS WORKED PER MONTH	2-8
ANNUAL PAY AND BENEFITS (AUTHORIZED)	\$19,640
ANNUAL PAY AND BENEFITS (ACTUAL)	\$3,263

Rio Vista

The City Treasurer of Rio Vista was elected in 2008. The Grand Jury confirmed that the incumbent was a registered voter and resided within the City.

The City of Rio Vista did not have a single document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. Review of City documents found the functions and duties of the City Treasurer scattered throughout a single document. Specifically, City of Rio Vista, California, Statement of Investment Policy 2010-11 stated that the Treasurer will manage the City's investment program. The investment policy reflected that the City Treasurer will:

- Establish written procedures for the operation of the investment program
- Be responsible for all investment transactions
- Establish a system of controls for the investment program
- Designate a third-party custodian for investments
- Provide quarterly investment reports to the City Council
- Chair the Investment Planning and Review Committee

The Grand Jury ascertained that the following functions were performed:

- Convene and oversee the semi-annual Investment Committee meetings
- Provide quarterly summaries of the City's investments to the City Council
- Submit monthly Funds Balance Reports to the City Council
- Provide monthly Revenue and Expenditures Reports to the City Council

The Grand Jury determined that in lieu of the quarterly investment report, the Treasurer provided monthly bank balance reports to the City Council. In addition, the Treasurer provided neither monthly Funds Balance Reports nor monthly Revenue and Expenditures Reports required by California Government Code §41004 because the Treasurer was not authorized access to the City's automated financial information system.

Except as discussed in the preceding paragraph, the provisions of California Government Code §§41001-41007 were not applicable.

Accomplishment of Treasurer duties required approximately eight hours per month. The Grand Jury was advised the position paid \$225 per month (\$2,700 per year) with no benefits. Grand Jury review of the State Controller's website found that for calendar year 2009, maximum salary

for the City of Rio Vista City Treasurer was reported as \$1,049 (approximately \$87 per month). Review of Rio Vista’s approved 2011-2012 budget found that during 2007-2008, the City Treasurer received a compensation package that totaled \$3,324, which included \$2,859 for salary (\$238.25 per month) and \$456 for benefits. City of Rio Vista staff could not determine the source of the salary information reported by the State Controller and was unable to locate an ordinance or other City document that defined the City Treasurer’s compensation package. As a result, the Grand Jury was unable to verify the compensation authorized for the City Treasurer of Rio Vista. Whatever the package, all compensation was waived by the incumbent.

The Grand Jury’s request for information dated August 18, 2011 asked for agendas and minutes of the last two meetings of Rio Vista’s Investment Committee. In response, the Grand Jury received minutes for meetings held on September 2, 2010 and February 16, 2011; however, the only agenda provided was for the September 2010 meeting. Although the agenda indicated it was for a “special” meeting, review of the minutes revealed that the meeting was nothing more than the committee’s regular semi-annual meeting. The agenda for the September 2, 10 a.m. meeting, was certified by the City Clerk as being posted on the City Hall bulletin board on 30 August at 5:00 p.m., 65 hours prior to the meeting, a possible violation of the Brown Act.

City of Rio Vista Summary (Data Date September 27, 2011)

REQUIREMENT	DESCRIPTION	REQUIREMENT MET
CGC §41004	Submit monthly accounting report	NO
Investment Policy	Establish written procedures for investments	NO
Investment Policy	Responsible for investments	YES
Investment Policy	Establish of controls for investments	NO
Investment Policy	Designate third-party custodian for investments	NO
Investment Policy	Provide quarterly investment reports	YES
Investment Policy	Chair Investment Committee	YES

ESTIMATED HOURS WORKED PER MONTH	8
ANNUAL PAY AND BENEFITS (AUTHORIZED)	Unknown*
ANNUAL PAY AND BENEFITS (ACTUAL)	\$ 0

* City staff was unable to determine the pay and benefits authorized for the City Treasurer.

Suisun City

The Suisun City Treasurer has served continuously for 27 years, having first been elected in 1984. The Grand Jury confirmed that the incumbent was a registered voter and resided within the City.

The City of Suisun City did not have a single document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. A single duty was found in the City of Suisun City Investment Policy dated April 20, 2010: “The Treasurer shall submit a quarterly investment report to the City Council.”

The Grand Jury ascertained that the following functions were performed:

- Sign the quarterly investment report
- Attend two City Council meetings per month

The provisions of California Government Code §§41001-41007 were not applicable except as follows:

- §41003: The City utilized the Treasurer’s electronic signature on all City checks. However, the Grand Jury determined that the incumbent did not review support documents to ensure that checks bearing the Treasurer’s signature were appropriate and approved by legally designated persons.
- §41004: During the review period, monthly accounting reports were neither prepared nor submitted as required.

Accomplishment of Treasurer duties required approximately eight hours per month. The City Treasurer received an annual compensation package of \$25,600.¹⁶

Review of the City’s quarterly investment reports found them titled, “Financial Officer’s Investment Report.” At the bottom of the report was a City Treasurer Statement that read, “I hereby certify that I have examined the records and find this report to be correct, that all investments are made in accordance with the investment policy, and the City will be able to meet its obligations for the next six months.” The Grand Jury determined that the process used to ensure the correctness of the investment report was to compare the current report to the previous report to identify abnormalities.

¹⁶ The compensation package included monthly benefits for salary (\$200), retirement (\$41), health/dental/vision insurance (up to \$1,547), life insurance (\$42), and deferred compensation matching (up to \$303).

City of Suisun City Summary (Data Date September 12, 2011)

REQUIREMENT	DESCRIPTION	REQUIREMENT MET
CGC §41003	Pay approved warrants	*
CGC §41004	Submit monthly accounting report	NO
Investment Policy	Submit quarterly investment report	NO

* The Grand Jury did not review processes and controls that were not directly managed by the Treasurer.

ESTIMATED HOURS WORKED PER MONTH	8
ANNUAL PAY AND BENEFITS (AUTHORIZED)	\$25,600
ANNUAL PAY AND BENEFITS (ACTUAL)	\$25,600

Vacaville

The City Treasurer resigned, and a replacement was appointed by City Council. At the time of inquiry (September 23, 2011), the Treasurer had served approximately one year. The Grand Jury confirmed that the incumbent was a registered voter and resided within the City.

The City of Vacaville did not have a single document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. When asked for a position description or like document, City of Vacaville staff provided an unreferenced document (i.e., no title and no date) that stated in part, “The responsibility of the City Treasurer is to assure the proper handling and recording of all municipal funds and overseeing the investment of these funds in accordance with the California Government Code.” The document further stated, “Other responsibilities of the City Treasurer include review of the City’s investment activity to ensure that the Investment Policy of the City of Vacaville remains consistent with the City’s Investment Policy objectives, current law and economic trends. The Investment Policy is reviewed annually by the City Treasurer and the Finance Director.” The Grand Jury later determined that the document quoted above was used to advertise and recruit candidates for the vacant City Treasurer position. According to City officials, the document was only used to recruit candidates and was not a true reflection of the functions, duties, and responsibilities of the Vacaville City Treasurer position.

The Grand Jury found one document that identified a duty of the Treasurer. City of Vacaville Investment Policy of June 2011 stated, “The City Treasurer will submit an annual Investment Policy to the City Council.” The June 2011 policy was, in fact, submitted by the City Treasurer to the City Council.

The Grand Jury ascertained that the following functions were performed:

- Receive and review monthly cash-flow projections
- Receive monthly investment reports
- Attend budget workshops
- Review and propose the City’s annual investment policy

The provisions of California Government Code §§41001-41007 were not applicable except as follows:

- §41004: During the review period, monthly accounting reports were neither prepared nor submitted as required.

Accomplishment of Treasurer duties required approximately four hours per month. The Treasurer received entitlements totaling \$3,240 per year: \$70 per month in salary, and \$200 per month as a vehicle allowance.

The City's organization chart¹⁷ indicated the City Treasurer reports to the City Council. As an elected official, the City Treasurer answers to the voters.

City of Vacaville Summary (Data Date September 23, 2011)

REQUIREMENT	DESCRIPTION	REQUIREMENT MET
CGC §41004	Submit monthly accounting report	NO
Investment Policy	Submit annual investment policy	YES

ESTIMATED HOURS WORKED PER MONTH	4
ANNUAL PAY AND BENEFITS (AUTHORIZED)	\$3,240
ANNUAL PAY AND BENEFITS (ACTUAL)	\$3,240

¹⁷ The organization chart was included in the City of Vacaville's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

Vallejo

Vallejo is the only charter city in Solano County. The Grand Jury was told that the Finance Director served as the City Treasurer. This was supported by the Finance Director's classification specification, which included, "serve as the City Treasurer" in the position definition.

At the time of inquiry (September 14, 2011), the Finance Director/City Treasurer had been on the job approximately four months. The Grand Jury was unable to identify which, if any, functions accomplished by the Finance Director/City Treasurer were exclusive to City Treasurer. As a result, the hours spent performing City Treasurer duties could not be estimated. The Finance Director/City Treasurer received no additional pay for serving as the Treasurer.

The Vallejo Finance Director/City Treasurer did not vote or live in Vallejo. When the Grand Jury asked if the Vallejo City Charter included residency requirements for the City Treasurer, the Grand Jury was advised, "The City of Vallejo charter does not provide for a City Treasurer and, consequently, there is no specific residency requirement. The Vallejo Municipal Code provides for a Finance Department and a Finance Director. It does not contain a residency requirement for the Finance Director."

V. FINDINGS AND RECOMMENDATIONS

Benicia

Finding 1 – The City of Benicia Treasurer did not issue accounting reports required by California Government Code §41004 which states, “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

On September 20, 2011, the City of Benicia passed Ordinance 11-09. In part, the ordinance transferred all statutory requirements from the City Treasurer to other City officers and staff. Although the reporting requirement associated with California Government Code §41004 is no longer the responsibility of the Benicia City Treasurer, it is still a treasurer function that was not being performed.

Recommendation 1 – City of Benicia ensure that the monthly reporting requirements identified by California Government Code §41004 are performed.

Dixon

Finding 2 – The City of Dixon did not have a single formal document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. Specifically, Treasurer duties and responsibilities were found in various portions of at least two city documents. In addition, the documented duties and responsibilities were not consistent with those accomplished by the City Treasurer.

Recommendation 2 – City of Dixon identify and formalize in a single document the functions, duties, and responsibilities required of the City Treasurer.

Finding 3 – The City of Dixon Treasurer did not issue accounting reports required by both California Government Code §41004 and City of Dixon Ordinance 99-003. The specific requirement states, “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

Recommendation 3 – City of Dixon Treasurer ensure that the monthly reporting requirements identified by California Government Code §41004 and City of Dixon Ordinance 99-003 are performed.

Finding 4 – The City of Dixon Treasurer did not submit quarterly investment reports to the City Council within the timeframes established by California Government Code §53646 (30 days following the end of the quarter) and City of Dixon Statement of Investment Policy for FY 2011-12 (four weeks following the end of the quarter). Specifically, the investment report for the quarter ended June 30, 2011 was scheduled to be submitted to the City Council in September 2011.

Recommendation 4 – City of Dixon Treasurer submit quarterly investment reports to the City Council within the timeframes established by City of Dixon Statement of Investment Policy for FY 2011-12.

Finding 5 – The City of Dixon Investment Committee did not meet quarterly as required by the City of Dixon Statement of Investment Policy for FY 2011-12. Specifically, documentation submitted to the Grand Jury in September 2011 indicated that the last two committee meetings were held in June and November 2010.

Recommendation 5 – City of Dixon ensure that the Investment Committee meets quarterly as required by City of Dixon Statement of Investment Policy for FY 2011-12.

Finding 6 – The City of Dixon’s organization chart incorrectly reflected the City Treasurer’s position and role in City government. Specifically, the organization chart obtained from the City of Dixon’s website on October 16, 2011, indicated that the City Treasurer reported to the City Council, not the electorate. In addition, the organization chart showed the City Treasurer with a direct line of authority to the organization responsible for finance, information technology, and administrative services.

Recommendation 6 – City of Dixon review, and revise as needed, the City’s organization chart to accurately reflect the City Treasurer’s position and role in City government.

Fairfield

Finding 7 – The City of Fairfield did not have a single formal document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer.

Recommendations 7 – City of Fairfield identify and formalize in a single document the functions, duties, and responsibilities required of the City Treasurer.

Finding 8 – City of Fairfield documents were contradictory and erroneous. Specifically:

- City of Fairfield Internal Investment Instructions dated July 9, 1998 stated, “No bank accounts shall be opened without written authorization from the City Treasurer.” However, this requirement was contradicted by City of Fairfield Investment Instructions to Investment Manager dated January 10, 1989 and revised on February 29, 2003, which stated, “No bank accounts shall be opened without written authorization from the Director of Finance.”
- City of Fairfield Internal Investment Instructions dated July 9, 1998 did not include the City Treasurer as a member of the City’s Investment Committee. According to a City of Fairfield official, the instruction was in error.

Recommendation 8 – City of Fairfield correct the contradiction regarding authority to open bank accounts found in City of Fairfield Internal Investment Instructions and City of Fairfield Investment Instructions to Investment Manager. In addition, revise the Internal Investment Instructions to include the City Treasurer as a member of the Investment Committee.

Finding 9 – The Fairfield City Treasurer did not issue accounting reports required by California Government Code §41004, which states, “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

Recommendation 9 – City of Fairfield Treasurer ensure that the monthly reporting requirements identified by California Government Code §41004 are performed.

Finding 10 – The Fairfield City Treasurer appointed three deputies to serve in his absence. However, the duties and responsibilities of the deputies were undefined, and two of the three individuals were no longer associated with the City.

Recommendation 10 – City of Fairfield Treasurer determine if City Treasurer deputies are required. If required, define the duties and responsibilities of the deputies and issue a current appointment letter. If deputies are not required, cancel Finance Department memorandum dated December 5, 2003.

Finding 11 – The City of Fairfield Investment Committee may not have complied with the Ralph M. Brown Act by not providing public notice of scheduled meetings. Specifically, the City Treasurer stated that agendas were not prepared for quarterly meetings of the City’s Investment Committee.

Recommendation 11 – City of Fairfield ensure compliance with all requirements of the Ralph M. Brown Act.

Rio Vista

Finding 12 – The City of Rio Vista did not have a single formal document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer. In addition, the documented duties and responsibilities were not consistent with those accomplished by the City Treasurer.

Recommendation 12 – City of Rio Vista identify and formalize in a single document the functions, duties, and responsibilities required of the City Treasurer.

Finding 13 – The City of Rio Vista Treasurer did not issue accounting reports required by California Government Code §41004, which stated, “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of

all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

Recommendation 13 – City of Rio Vista Treasurer ensure that the monthly reporting requirements identified by California Government Code §41004 are performed.

Finding 14 – The Rio Vista Treasurer did not comply with City of Rio Vista, California, Statement of Investment Policy 2010-11. For example, the Treasurer neither established written procedures nor implemented a system of controls for the City’s investment program.

Recommendation 14 – City of Rio Vista Treasurer comply with City of Rio Vista, California, Statement of Investment Policy 2010-11.

Finding 15 – The City of Rio Vista Investment Committee may not have complied with the public notice requirements of the Ralph M. Brown Act. Specifically, the Investment Committee meeting of September 2, 2010, may have been improperly categorized as “special” to avoid the 72-hour notice requirement for regular meetings. In addition, no agenda was available for the meeting held on February 16, 2010.

Recommendation 15 – City of Rio Vista ensure compliance with all requirements of the Ralph M. Brown Act.

Suisun City

Finding 16 –The City of Suisun City did not have a single formal document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer.

Recommendation 16 – City of Suisun City identify and formalize in a single document the functions, duties, and responsibilities required of the City Treasurer.

Finding 17 – The City of Suisun City Treasurer did not issue accounting reports required by California Government Code §41004, which states, “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

Recommendation 17 – City of Suisun City Treasurer ensure that the monthly reporting requirements identified by California Government Code §41004 are performed.

Finding 18 – City of Suisun City Investment Policy dated April 20, 2010 required the City Treasurer to submit quarterly investment reports to the City Council. Inspection found the report was actually compiled by the Senior Accountant and reviewed by the Financial Services Manager. The City Treasurer merely compared the current report with the previous report to identify obvious abnormalities.

Recommendation 18 – City of Suisun City review, and revise as needed, the City Treasurer’s reporting requirements identified in City of Suisun City Investment Policy dated April 20, 2010.

Finding 19 – The City of Suisun City Treasurer's quarterly audit of investment reports was not completed in sufficient detail to fulfill the review responsibilities identified in the certification statement (“I hereby certify that I have examined the records and find this report to be correct, that all investments are made in accordance with the investment policy, and the City will be able to meet its obligations for the next six months.”). Specifically, the comparative analysis performed by the City Treasurer was insufficient to ensure accuracy and compliance with the investment policy as attested to.

Recommendation 19 – City of Suisun City Treasurer either revise the certification statement on the quarterly investment reports to reflect work actually accomplished or refrain from signing the investment reports.

Vacaville

Finding 20 – The City of Vacaville does not have a single formal document that clearly and succinctly identified the functions, duties, and responsibilities of the City Treasurer.

Recommendation 20 – City of Vacaville identify and formalize in a single document the functions, duties, and responsibilities required of the City Treasurer.

Finding 21 – The City of Vacaville Treasurer did not issue accounting reports required by California Government Code §41004, which stated, “Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.”

Recommendation 21 – City of Vacaville Treasurer ensure that the monthly reporting requirements identified by California Government Code §41004 are performed.

Finding 22 – The City of Vacaville’s organization chart incorrectly showed the City Treasurer reporting to the City Council. As an elected official, the City Treasurer answers directly to the electorate.

Recommendation 22 – City of Vacaville review and revise, as needed, the City’s organization chart to accurately reflect the City Treasurer’s position and role in city government.

Vallejo

Finding 23 – The classification specification for the City of Vallejo Finance Director stated that the incumbent was to serve as the City Treasurer; however, the City of Vallejo charter does not provide for a City Treasurer.

Recommendation 23 – City of Vallejo remove reference to the City Treasurer from any and all City documents, including the Finance Director’s classification specification.

COMMENTS

By default, general law cities must have an elected treasurer; however, the legislature has provided a methodology for cities to make the position appointive, or to eliminate the position altogether. An elected treasurer offers independence; however, since California Government Code requires no specialized training, background, or professional certification to hold the office, some elected treasurers do not have the training, experience, and skills needed to accomplish financial and investment oversight. An appointed treasurer can have the skills, training, and experience needed to perform the tasks; however, an appointed treasurer may lack the independence that many citizens demand of the city treasurer. A strong argument can also be made that sophisticated accounting and auditing tools have made the treasurer position obsolete. The Grand Jury encourages each city council to identify what it expects from its city treasurer, and to set a course of action to bring that expectation to reality.

REQUIRED RESPONSES

City Treasurers for the Cities of:

- Benicia (Finding 1)
- Dixon (Findings 3 and 4)
- Fairfield (Findings 9 and 10)
- Rio Vista (Findings 13 and 14)
- Suisun City (Findings 17 and 19)
- Vacaville (Finding 21)

City Councils for the Cities of

- Benicia (Finding 1)
- Dixon (Findings 2, 5, and 6)
- Fairfield (Findings 7, 8, and 11)
- Rio Vista (Findings 12 and 15)
- Suisun City (Findings 16 and 18)
- Vacaville (Findings 20 and 22)
- Vallejo (Finding 23)

COURTESY COPIES

City Managers for the Cities of

- Benicia
- Dixon
- Fairfield
- Rio Vista
- Suisun City
- Vacaville
- Vallejo

Solano County Treasurer/Tax Collector

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BENICIA ADDING A NEW CHAPTER 2.48 (CITY TREASURER) TO DIVISION 1 (ORGANIZATION) OF TITLE 2 (ADMINISTRATION AND PERSONNEL) OF THE BENICIA MUNICIPAL CODE

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BENICIA DOES ORDAIN as follows:

Section 1.

Division 1 (Organization) of Title 2 (Administration and Personnel) of the Benicia Municipal Code is amended by adding a new Chapter 2.48 (City Treasurer) to read as follows:

Chapter 2.48

CITY TREASURER

Sections:

- 2.48.010 Powers and duties.
- 2.48.020 Compensation and benefits.
- 2.48.030 Qualifications.

2.48.010 Powers and duties. All statutory duties and responsibilities not heretofore transferred to the county, the city manager or the finance director which are now performed by the city treasurer are transferred to the city clerk, who is ordered to perform all such duties, including but not limited to, those duties required by law.

The city treasurer shall countersign warrants and serve on the Finance Committee.

2.48.020 Compensation and benefits. The city treasurer shall receive a two hundred dollar per month stipend and related retirement benefit but no other benefits.

2.48.030 Qualifications. The city treasurer is an elected position so the only qualifications are that the individual be a registered voter of the city. Therefore, following qualifications are desirable, but not required.

- 1. Knowledge of:
 - A. Municipal revenue sources;
 - B. Methods, practices and principles related to the investment of City idle funds;

- C. Basic assessment district and bond financing techniques; and
 - D. Methods, practices and principles related to evaluating municipal cash flow needs.
2. Ability to:
- A. Invest City idle funds in a wise and prudent manner;
 - B. Meet the public and provide required information pleasantly and efficiently;
 - C. Communicate effectively and tactfully in both oral and written forms;
 - D. Establish and maintain complex and extensive financial record keeping systems and files;
 - E. Operate and use a variety of office equipment;
 - F. Establish and maintain effective work relationships with those contacted in the performance of required duties;

Section 2.

Conflicting provisions. All ordinances or resolutions inconsistent or conflicting with any part of this ordinance are hereby repealed to the extent of such inconsistency or conflict.

Section 3.

Severability. If any section, subsection, phrase or clause of this ordinance is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance.

The City Council hereby declares that it would have passed this and each section, subsection, phrase or clause thereof irrespective of the fact that any one or more sections, subsections, phrase or clauses be declared unconstitutional on their face or as applied.