

## Memorandum

Date: June 10, 2008

To: City of San Diego Retired Employees Association Board

From: Audit Committee: Ruth Ann Hageman, Terry Flynn and Advisor Maggie Smith

Subject: Audit of Operations for 2007

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Following is a description of the audit of operations for 2007, based on each month's Treasurer's Reports as approved by the board.

The Treasurer's Reports functions as follows:

1. **Receipts** consist of the following:

a. *Payroll Deduction Authorizations (PDA's) from most members.* The City Auditor sends a check to CSDREA, and the Treasurer deposits this check in the San Diego Metropolitan Credit Union (SDMCU) Dividend Checking Account for CSDREA. Each PDA member has a payroll deduction of \$2 per month or \$24 per year. From the \$2 per month from each member, the CSDREA Treasurer deposits \$1 in the Operating Fund, and \$1 in the Legal Fund. For January 2007, there were 838 members authorizing payroll deduction, so \$838 was deposited in the Operating Fund and \$838 was deposited in the Legal Fund from the PDA receipts.

b. *"Annuals," dues sent by designated members who are not willing to have automatic payroll deductions.* The Treasurer deposits these annual dues as they are received from the members who have been billed. These dues include a \$6 assessment to cover the cost of billing: stamps, paper, envelopes, etc. (Therefore, the total paid through annual dues is \$30, instead of the \$24 per year paid by members who have Payroll Deduction Authorizations.) Of the \$30 Annual fee, \$12 is deposited in the Operating Fund, \$12 is deposited in the Legal Fund; the \$6 assessment is also deposited in the Operating Fund.

c. The remaining receipts are from lunch tickets, occasional contributions, and dividends posted by SDMCU.

2. **Expenditures** consist of the following:

a. The Treasurer transfers the amounts owed to the Legal Fund from both the Payroll Deduction Authorizations and the Annual Dues. The amounts will be \$1 per month per member.

b. Other expenditures consist of the annual award, computer expenses, groceries, the Holiday Lunch, Liability Insurance, monthly meeting luncheons, the newsletter, office supplies, parking, photocopies, postage, returns, stationary and subscriptions.

3. Reserve Accounts consist of the following:

- a. Savings account (01), an original savings to which is added a dividend each month by SDMCU. In general no additional money is added to this account.
- b. A money market account (08) for the Legal Fund. As shown above, each member contributes \$1 per month or \$12 per year to this fund.
- c. A money market account (09) for the Operating Fund to which is also added a dividend each month by SDMCU. In general, no additional money is added to this account.

The audit committee has found that each of the Treasurer's reports for 2007, which have been approved by the CSDREA board, accurately show the receipts, expenditures and reserve accounts for each month of the year. There is a small discrepancy in the accounting for which it is recommended that the Treasurer amend and the Board review and approve both the January, 2007 and the February, 2007 reports.

There was an amount of \$48 which is shown for January, 2007 as a deposit/transfer when actually this amount was deposited/transferred by check #1911 in February, 2007. Although the \$48 was intended as a January, 2007 deposit/transfer to the Legal Fund, the SDMCU Statement of Accounts shows that the amount was not deposited/transferred until February. The Reserve deposits shown for both January and February do not need to be changed, nor do the receipts. The purpose of this change is to ensure that the State of Operations is consistent with the SDMCU Statement of Accounts.

The Treasurer is to be commended for the accuracy and thoroughness of the accounting for 2007.

Respectfully Submitted,

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Ruth Ann Hageman

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Maggie Smith

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Terry Flynn