Is it a Mirage?

The annual CMTA Pre-Conference will be held on April 28 and 29 at the Miramonte Resort in Indian Wells. The Pre-Conference will focus on topics on how to protect agency assets. The conference leads off with an economist and then touches on investment options in the current interest environment and important controls to consider in an investment policy. It concludes with a review of bank fraud, identify fraud and employee fraud. See the complete agenda at www.cmta.org

United States Treasurer Rosario Marin (invited) and the State Treasurer Philip Angelides (invited). General Sessions will include risks and opportunities of Government Sponsored Enterprises, rightsizing, downsizing, and capsizing decisions, the latest update of the State’s budget picture and a noted Economist from UCLA Anderson Forecast. Concurrent sessions provide smaller group opportunities to learn about CALPERS latest actuarial, CDIA reporting requirements, Debt Issuance Regulations, the CMTA listserv/website, the latest LAIF outlook and examples of various Treasurer’s reports. For the complete agenda, go to www.cmta.org

Ten Steps to a successful banking conversion

As electronic commerce becomes a growing component of most public cash management programs, and financial institutions continue to merge and refocus priorities, the responsibility to evaluate banking services, fees and relationships is amplified.

While the necessity is clear, a softly spoken but common reaction is that while cost savings and efficiencies may be realized, changing banks is a mammoth undertaking, fraught with potential treasury and accounting calamities. This article is not designed to provide the reader with promises that the process will be seamless or problem free, but to recommend some processes that we found invaluable to a successful transition to our new bank.

1. Consensus from all players that this really is a good idea (!) is essential. Without buy-in from everyone from the very beginning, you’ll increase the likelihood of problems down the road.

2. Establish an “Implementation Team”. Include key staff from all essential departments and divisions. Don’t forget areas that utilize banking services in an ancillary manner, e.g., your Parking Department’s coin processing function. Include representatives from

—Continued on page 4
Happy New Year!
I hope your holidays were joyous and restful! Undoubtedly we will all be working on our current year budgets as we try to find ways to recover from the latest State raids on our local revenues. I encourage everyone to continue to lobby their State Legislators and continue to work with the League of California Cities to protect our local revenues!

I was able to attend two divisional meetings this past quarter. Division III held a meeting in Visalia featuring the League of California Cities Regional Representative Catherine Medina who spoke on the impending budget cuts and the League’s efforts to lobby on our behalf. I was also able to attend the joint Division VI and VIII meeting hosted by the City of Galt. They had a full slate featuring three speakers over the morning and ended with the luncheon. It was a pleasure to be able to visit with the members of another Division and hear speakers on banking, investments, and LAIF. Pat Beal, our former LAIF administrator, was also in attendance and I was able to visit with her as well!

Since my last report I also attended the joint California Municipal Treasurer’s Association/California Debt and Investment Advisory Commission Intermediate Investment Training Seminar held in Concord. Kudos to Christine Vuletich and our Education Committee and to Lisa Harris and the CDIAC folks for putting together a fine program. More thanks to CDIAC for handling all the logistics of hosting the training and registration. The training was very well attended and attendees were pleased with the format and the speakers. We will continue to work with CDIAC to provide educational training opportunities.

Don’t forget to plan to attend the Annual Conference the last week of April in Indian Wells at the Mira Monte Resort. Shari Freidenrich, Conference Chair, is putting together an awesome program for our benefit. The desert should be beautiful that time of year and I look forward to seeing you all there!

I also have some big news on the personal front; I have moved from the City of Visalia to the Visalia Unified School District as their Chief Financial Officer! The District supports my participation and has joined CMTA so I will be able to complete my term as your President and continue to be involved in this wonderful Association. My new address is 5000 West Cypress, PO Box 5004, Visalia, CA 93278-5004; my new phone numbers are 559-730-7532, 559-730-7858 FAX, and my new email is rgroeber@visalia.k12.ca.us.

I look forward to continuing to serve you from my new desk!

—Robert

New name for state organization

The California Municipal Business Tax Association (CMBTA), the professional organization—established over 30 years ago for business license clerks—has formally changed its name. Long ago the organization realized that its members interests had outgrown business licenses, and we began offering networking opportunities and formal training in other areas. A survey of the membership last year, which was posted to the CSIMO website, confirmed this. On October 16, 2002, at the annual conference at the Visalia Conference Center and Radisson Hotel, the organization name was changed to the California Municipal Revenue and Tax Association (CMRTA.) Although in the acronym only one letter changed, the job responsibilities of the its members has changed dramatically over the years. Also, the organization’s new website debuted at the same time. How many of your staff are CMRTA Certified Revenue Officers? Check our website for details: www.cmrta.org.
Division IX reports from Orange, Riverside and San Bernadino Counties

The December meeting was held at the Bowers Museum in Santa Ana, where members listened to the stories of an officer from the Orange County Sheriff’s Department Economic Fraud Division. Besides being quite entertaining, Officer Alvarez gave some helpful information. Paper copies of checks provide fingerprints, while photocopies and cd images do not; many criminals are caught because the police can compare all the fingerprints on a group of fraudulent checks and look for the common prints. There is no safe way to mail checks unless the mail is delivered directly to the inside of the post office.

Pat Elliot and Margaret Rutledge represented CMTA at the Association of California Water Agencies fall conference in Anaheim. Pat spoke on investment policies and Margaret spoke on investment reporting. Nancy Jones of PFM and Bill Blackwell from Salomon, Smith Barney discussed oversight and what to do with the information provided by staff. Information on CMTA and APTUSC was distributed.

Five new members to Division IX were sent certificates for a free meeting.

The balance in the Division IX Treasury as of November 30, 2002 was $1,530.21

HAPPY NEW YEAR from the officers of Division IX:
Margaret Rutledge, Judy Vickers, Christine Calderon, and Beverly Meza

Government Associates — Greetings!

Over the years, CMTA has attempted different ways to reach as many Special District and Government Associate Members as possible. We have written letters to special districts; we have talked to different organizations. This outreach program is our continuous effort to let everyone know about the benefits of joining CMTA. You can help by telling others about CMTA or by letting me know if you have any ideas of ways to increase awareness about CMTA. If you know of a special district or agency that is not a part of CMTA, please contact me at 909-928-6154 so that I can contact them.

As part of the outreach program, I had the honor of participating on a panel at the Association of California Water Agencies (ACWA)* Fall Conference at the Disneyland Hotel in Anaheim. The subject was Due Diligence for Investment Policy - Do you know what your treasurer is doing? Other members of the panel Margaret Rutledge, Mesa Consolidated Water District: Bill Blackwill, Salomon, Smith Barney and Nancy Jones, PFM Asset Management. Peer Swan; Irvine Ranch Water District served as moderator. This was a great opportunity to explain investment policy, reporting requirements to those in attendance. Our main theme was the importance of education using CMTA (and other organizations) as a tool.

If you have not purchased the Treasurers’ Handbook, I strongly recommend getting it. It is a great reference tool. In my opinion, it should be mandatory for every public agency!

—Patricia A. Elliott, Government Associate Liaison

Center for Water Resources Development and Education (CWRDE) —

*(Formed in 1910 by five irrigation districts Association of California Water Agencies (ACWA) today represents the largest coalition of public water agencies in the country. ACWA’s membership represents 90% of the public water delivered in the state of California.)

Richard A. Vest
Senior Vice President
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Division Chairs

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<tr>
<td>I</td>
<td>Dale R. Nielsen, CCMT Vista, CA Tel: (760) 726-1340 Fax: (760) 639-8171 <a href="mailto:dnielsen@ci.vista.ca.us">dnielsen@ci.vista.ca.us</a></td>
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<td>II</td>
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<td>III</td>
<td>Greg Wiles Fresno, CA Tel: (559) 498-1306 Fax: (559) 488-4636 <a href="mailto:greg.wiles@ci.fresno.ca.us">greg.wiles@ci.fresno.ca.us</a></td>
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<td>IV</td>
<td>Robert “Bob” Begun Capitola, CA Tel: (831) 475-5629 Fax: (831) 479-8879 <a href="mailto:r.begun@worldnet.att.net">r.begun@worldnet.att.net</a></td>
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<td>Margaret Rutledge, CCMT Costa Mesa, CA Tel: (909) 574-1022 Fax: (909) 574-1036 <a href="mailto:margaretr@mesawater.org">margaretr@mesawater.org</a></td>
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*Formed in 1910 by five irrigation districts Association of California Water Agencies (ACWA) today represents the largest coalition of public water agencies in the country. ACWA’s membership represents 90% of the public water delivered in the state of California.
Ten Steps to a successful banking conversion...  —continued from page 1

Treasury/Investments, Accounting, Payroll, Utility Billing, Revenue and Information Services. A designated “project manager” should be identified. Having someone ultimately responsible for the City’s role in the conversion will keep your staff focused and reduces communication problems with your new bank.

3. Establish a reasonable implementation timeline and stick to it. Schedule biweekly meetings with your bank’s implementation team and request that all members of both teams be present at all meetings. Ideally, your bank will have an Implementation Manager, who is skilled in conversion process. Ensure that everyone’s role and responsibilities are clear from the beginning. This will eliminate the “oh, you need to talk to so-and-so, not me” situations which result in frustration and delays. Allow sufficient time in these meetings for everyone to be clear on expectations and next steps.

4. Early in the process, make sure that everyone is speaking the same language. A huge challenge for us was translating product names from our old bank to the new. We have four different services that pertain to ACH, each with a different name than at our former bank – that’s eight names for ACH alone! An excellent way to address this is to develop a list of products or services, e.g.: “Home Banking”, and then develop a list of the counterpart at your new bank.

5. Throughout the process, continue to look for ways to create efficiencies and improve customer service. Many ideas will have surfaced as a result of the RFP process, but many more are identified as you begin to talk about the details of each product or service.

6. Early on, notify all departments that will be impacted of the decision to change banks. Tell them what your target implementation date is, and let them know that you and the bank will be available for questions. Reassure them that it will not adversely impact their workload (or if it will, be sure to disclose that). Schedule a Citywide training for all staff preparing deposits or accepting credit cards to be held the week before your ‘go live’ date. Invite local and cash vault bank staff to assist with the training. Then use this training session to distribute new supplies to all departments and answer questions.

7. Allow sufficient time for file testing for different ACH services. Select IS/IT staff that is flexible and knowledgeable to work closely with bank technical staff. Submit check stock early for processing and CD imaging testing.

8. Provide early written notification with your new banking information to other agencies, e.g., LAIF, the State Controller’s Office, Federal agencies that fund grants, etc. Requirements differ, and sufficient lead-time is necessary.

9. On an ongoing basis, be candid with your bank’s implementation team about how the process is going. If there are problems, discussion solutions and agree to a process for resolution. Remember that you are in the process of building a relationship with your new bank. Your Project Manager should be talking with the bank’s team leader or Implementation Manager on a regular basis; at times daily.

10. Once you’re fully converted, meet again to evaluate what worked and what didn’t. This is a valuable tool for your bank and City staff alike. While it’s unlikely that you’ll undertake a banking conversion again anytime soon, many similar processes occur where a teams with diverse interests need to work together. Then, celebrate your successful conversion! A banking transition is a huge process and the entire City/bank team should be thanked for a job well done. Schedule an opportunity to have cake and coffee, or an informal luncheon, but be sure to let your staff and your bankers know how their efforts contributed to the overall success.
Seven simple steps to protect against check and ACH fraud

Budgets are shrinking at all levels of government. Everyone is trying to shave dollars and save pennies. But cutting back on fraud prevention measures is likely to cost you more than you stand to save. The 2001 ABA Deposit Account and Check Fraud Report estimates that the banking industry alone faces more than $4.3 billion in attempts of fraudulent check activity each year.

Increased use of the Automated Clearing-House (ACH) to clear point-of-sale purchases, telephone and Internet sales adds another avenue for fraud and unauthorized transactions.

**Check Fraud Protection Measures**

The FBI estimates that each year thieves steal 100 times more money through check fraud than in bank robberies. People operating “check fraud rings” travel around the country cashing counterfeit checks drawn on unsuspecting companies and other entities. It may only be a matter of time before criminals learn that your municipality does not employ the following simple yet effective tools to help fight check fraud.

- **Internal Controls**—Protection begins with thoroughly verifying new hires and training all personnel who disburse funds. Training should include a comprehensive review of legal and regulatory guidelines for disbursing funds, as well as the various types of common fraud schemes used to steal money. It is also a good idea to have and follow clear signature review procedures before checks are mailed. Finally, consider centralizing disbursement, rather than returning issued checks to individual departments for mailing. Unfortunately, staff can and have been known to alter the payee name on a valid check. It also is wise to deliver outgoing checks to the mailroom as late in the day as possible to limit employee access.

- **Teller Positive Pay**—This protects you by making your check issue file information available at the teller line, where available. If a check presented to a teller does not match your issue file information, the teller will immediately escalate the item according to the bank’s procedures and will not cash the check and may attempt to obtain your pay or return decision. Make sure you know how often your bank updates teller information to enhance your protection.

- **Account Reconciliation Features**—Features available through most account reconciliation services offer extra protection. For example, by implementing a maximum dollar control, your bank may automatically return all checks presented over a pre-determined dollar amount. Or, if your internal policy requires multiple or specific signers for all checks over a certain dollar amount, ask your bank to furnish on-line images of these checks for your review and disposition. Some banks offer a stale date feature on some accounts. If you use a stale date feature, this may prevent “old” checks (e.g., six months old) from posting to your account. Alternatively, you may ask your bank to provide you with an on-line image of stale items so you can make a pay or return decision on each one.

**ACH Protection Measures**

Historically, the Automated Clearing House (ACH) has been relatively free of fraud because transactions are made between parties that know each other. Now, many state and local governments accept payment for license renewals, fines, even property taxes, using debit cards in offices, on the telephone and even on-line. Because these transactions may clear through the ACH, you need to protect against unauthorized transactions.

- **Blocks and Filters**—ACH blocks and filters are important tools to help protect municipal funds from unauthorized ACH transactions. Your bank can “block” all ACH debits from posting to your accounts; or you can specify a maximum ACH debit dollar amount;
Seven simple steps …

and/or you can provide your bank with the identification number for each trading partner (typically the tax identification number) and the corresponding dollar limit. Only ACH transactions from authorized parties within the designated dollar limits will settle to your account with these protections in place.

- Establish a “Post No Checks” Indicator—The account you use for ACH origination and receipt still may be vulnerable to counterfeit check fraud. To prevent checks from posting to an electronic payables account (or an account used only for collections) ask your bank to place a POST NO CHECKS or similar indicator on your account. When checks are presented, they should be returned automatically.

- Daily Account Transaction Review – Scrutinize your current and prior day detail-reporting daily to identify unauthorized transactions that may be fraudulent. Criminals are betting that you will not notice or return unauthorized ACH debits in time. You must generally notify your bank promptly of an unauthorized corporate ACH debit so the return is made available to the originating depository financial institution no later than the opening of business on the second banking day after settlement.

Conclusion

As you can see, protecting your accounts from check and ACH fraud does not have to cost a lot in human or financial resources. You stand to gain much more in security and peace of mind.

These tools to help prevent fraud are suggestions only, but are not comprehensive enough to cover each company, industry or operating environment and are not meant to substitute for your own internal procedures that are appropriate for you.

---continued from page 5---
Thank You to the Sponsors of Dollars & Sense!
(All advertisers throughout the newsletter)
CMTA Listserv now up and running!

If you haven’t signed on to the new CMTA e-mail listserv, you still may do so. The members list may be used to share information and survey information on how different agencies handle a particular issue. Each division also has a list to share meeting notices and share local information. To join the list, simply go to the website and you can subscribe on-line. Once you subscribe, you may send a message to the list at the addresses listed below:

General Members List: cmtamembers@cmta.org
Division 1: cmta-division1@cmta.org
Division 2: cmta-division2@cmta.org
Division 3: cmta-division3@cmta.org
Division 4: cmta-division4@cmta.org
Division 5: cmta-division5@cmta.org
Division 6 and 8: cmta-divs6and8@cmta.org
Division 7: cmta-division7@cmta.org
Division 9: cmta-division9@cmta.org

In addition...

CMTA also provides email list serv services for the CMTA Divisions so messages can be sent to members with in specific geographic areas. These list servs are particularly useful when a member needs help on a local issue or one which does not concern the membership at large. These division lists can be used to notify members of division meetings and could, if enough members sign on, ultimately replace the expensive and cumbersome mailing of division meeting notices.

Calendar of Events

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UPCOMING CONFERENCES


Present him or her with a special CMTA Certificate of Appreciation

Contact Frances Medema at medemaf@cacities.org or Tawni Escudero at tescudero@cacities.org

California Municipal Treasurers Association

Have a Happy and Successful New Year!