

COUNTY OF SAN MATEO

Independent Accountant's Report on
Applying Agreed-Upon Procedures
Related to Investment Compliance

For the Year Ended June 30, 2023

**Independent Accountant’s Report on
Applying Agreed-Upon Procedures
Related to Investment Compliance**

To the Honorable Members of the Board of Supervisors
of the County of San Mateo
Redwood City, California

We have performed the procedures enumerated below on the County of San Mateo, California’s (County) compliance with the investment requirements presented in Article 6, Sections 27130 through 27137 of the California Government Code and the San Mateo County Investment Policies for the Pooled Investment Fund (Fund) approved on January 11, 2022 and January 17, 2023 (Investment Policy) that were applicable for the year ended June 30, 2023. The County’s management is responsible for the County’s compliance with those requirements.

The County’s management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the County’s compliance with the aforementioned requirements for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. Obtain a listing of the members of the County’s Treasury Oversight Committee (Committee) as of March 31, 2023, and inquire about the intended purpose of each appointment to the Committee to determine whether each member is qualified under the requirements outlined in Article 6, Section 27132.

Finding: No exceptions were noted as a result of applying our procedures.

2. Read the Committee’s meeting minutes during the period from July 1, 2022 to March 31, 2023 to determine that the Committee was not directing individual investment decisions, selecting individual investment advisors, brokers or dealers or impinging on the day-to-day operations of the County Treasurer pursuant to Article 6, Section 27137.

Finding: No exceptions were noted as a result of applying our procedures.

3. Determine whether the Investment Policy approved on January 17, 2023, was reviewed and adopted by the County Board of Supervisors.

Finding: No exceptions were noted as a result of applying our procedures.

4. Determine if the Investment Policy approved on January 17, 2023, included authorized investments; maximum security term; brokers and dealers selection; limits on the receipt of gifts; investment report; cost calculation and apportionment policy; deposit terms and conditions; and funds withdrawal criteria pursuant to Article 6, Section 27133.

Finding: No exceptions were noted as a result of applying our procedures.

5. Determine if the Investment Policy approved on January 17, 2023, stated that the Fund shall be prudently invested to meet the specific objectives of (1) Safety of Principal, (2) Liquidity, and (3) Yield.

Finding: No exceptions were noted as a result of applying our procedures.

6. Select all 15 voluntary pool participants as of March 31, 2023, and verify that the County requested written acknowledgement that each participant received a copy of the Investment Policy approved on January 17, 2023.

Finding: No exceptions were noted as a result of applying our procedures.

7. Select all 9 approved brokers as of March 31, 2023, and verify that the County performed an evaluation of new brokers in accordance with the *Approved Broker* section of the Investment Policy approved on January 17, 2023. Also verify that each of the brokers sent written acknowledgements to the County that they received the Investment Policy approved on January 17, 2023.

Finding: No exceptions were noted as a result of applying our procedures.

8. Judgmentally select a sample of 25 purchases and 25 sales/maturities during the period from July 1, 2022 through March 31, 2023, and review the County's compliance with the applicable Investment Policies approved on January 11, 2022 and January 17, 2023, by performing the procedures below:

Purchases:

- a) Verify approval signatures on the trade ticket.
- b) Verify information in the trade ticket agreed with the information in the broker's confirmation.
- c) Verify information in the trade ticket agreed with the custodial bank security summary.
- d) Verify an Investment Service Specialist signed on the custodial bank's Detailed Statement of Transaction report to indicate that the trade was properly captured by the custodial bank.
- e) Verify trade transaction information (investment type, investment number and amount) was accurately captured in the Summary Investment Pool Activity.
- f) Verify the purchased investment was an authorized type of investment per the California Government Code Section 53600 et seq. and the San Mateo County Investment Policies for the Fund approved on January 11, 2022 and January 17, 2023 applicable during the year ended June 30, 2022.
- g) Verify if the maturity date of the purchased investment met the required limit of the Investment Policy.
- h) Verify if the County was in compliance with the credit and collateralization policy.

Sales/Maturities:

- a) Verify approval signatures on the trade ticket.
- b) Verify approval signature on the Investment Pool Activity Report.
- c) For the principal portion of investments that were not classified as cash equivalents, agree the matured, sold or called investment transaction to the Realized Gain and Losses-Settled Trade Monthly Report.

- d) Verify investment information was accurately captured in the trade ticket.
- e) Verify the transaction was accurately captured in the Detailed Statement of Transaction Report.

Finding: No exceptions were noted as a result of applying our procedures.

- 9. Review the March 2023 monthly investment report and perform the following:
 - a. Determine whether the investments listed in the investment report were authorized by the California Government Code Section 53600 et seq.
 - b. Summarized fair value of investments by investment type and issuer and computed percentages of each to the total portfolio and compare against the limits stated in the Investment Policy approved on January 17, 2023.
 - c. Determine that the investment report included information on the type of investment, name of issuer, maturity date, par value of the investment, current market value, and the securities' S&P/Moody's rating.
 - d. Verify that the investment report was provided to all 15 voluntary pool participants as of March 31, 2023.

Finding: No exceptions were noted as a result of applying our procedures.

- 10. The County assesses a quarterly administrative fee on the investment pool based on periodic studies of administrative costs incurred. Review the March 2023 monthly investment report and verified that the County General Fund was used to pay for the quarterly administrative fees incurred from January 2023 to March 2023 to comply with the investment compliance requirements pursuant to Article 6, Section 27135. Also verify that the County deducts the administrative fees from the pool earnings prior to distribution to pool participants and reimburses the County General Fund, which is allowed under Article 1, Section 27013 (as referenced in Article 6, Section 27135). Lastly, verify that the County allocates net earnings based on the average daily balances, as required by the Investment Policy approved on January 17, 2023.

Finding: No exceptions were noted as a result of applying our procedures.

- 11. Determine whether the County's withdrawal policies as stated in the Investment Policies approved on January 11, 2022 and January 17, 2023, contain the following requirements:
 - A. Any request to withdraw funds shall be released at no more than 12.5% per month, based on the month-end balance of the prior month.
 - B. Property tax revenue which had previously been distributed to redevelopment agencies prior to their dissolution, and which, effective as of February 1, 2012, shall be distributed to Redevelopment Property Tax Trust Funds will be exempt from the 12.5% withdrawal rule. However, these apportionments must be withdrawn in the same month they are received or they will be subjected to the 12.5% withdrawal rule.
 - C. Any additional withdrawal requests will be considered on a case-by-case basis.
 - D. All requests for withdrawals must first be made in writing to the Treasurer, at a minimum, 24 hours in advance.

E. For withdrawals from schools,

1. Withdrawals of surplus funds by a school district for investment elsewhere will require a Resolution from the District Office requesting such withdrawal and specifying that funds are ‘surplus.’ Such requests must be made at a minimum 24 hours in advance.
2. A one-year dark period will exist for such withdrawals before funds can be re-deposited into the treasury by that school district. A Resolution from the District Office will be required to do so.
3. Any emergency situation that requires previously withdrawn school district funds be re-deposited into the treasury within that one-year period will require a Resolution from the District Office and Office of Education.
4. No Bond Proceeds may be withdrawn for investment outside of the pool (AB2738).

In accordance with Article 6, Sections 27133(h) and 27136 et seq, these requests are subject to the Treasurer’s consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

Finding: No exceptions were noted as a result of applying our procedures.

12. Judgmentally select 25 withdrawals during the period from July 1, 2022 through March 31, 2023, and determine the County’s compliance with its withdrawal policies as stated in the applicable Investment Policies approved on January 11, 2022 and January 17, 2023.

Finding: No exceptions were noted as a result of applying our procedures.

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the County’s compliance with the investment requirements presented in Article 6, Sections 27130 through 27137 of the California Government Code and the San Mateo County Investment Policies for the Fund approved on January 11, 2022 and January 17, 2023 that were applicable for the year ended June 30, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Supervisors, Treasury Oversight Committee, and management of the County, and is not intended to be, and should not be, used by anyone other than those specified parties.


Walnut Creek, California
March 15, 2024