

COUNTY OF SAN MATEO

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

For the Year Ended June 30, 2020



Certified
Public
Accountants



**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, which were agreed to by the Board of Supervisors and management of the County of San Mateo, California (County), solely to assist the County in evaluating its 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 8, 2019 and January 7, 2020 applicable during the year ended June 30, 2020. The County's management is responsible for the County's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We obtained a listing of the members of the County's Treasury Oversight Committee (Committee) as of March 31, 2020 and inquired 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. We read the Committee's quarterly minutes during the period from July 1, 2019 to March 31, 2020 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. We determined the Investment Policy approved on January 7, 2020 was reviewed and adopted by the County Board of Supervisors.

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

4. We determined the Investment Policy approved on January 7, 2020 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. We determined the Investment Policy approved on January 7, 2020 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. We randomly selected voluntary pool participants as of March 31, 2020 (up to a maximum of 25 participants) and verified that the County requested written acknowledgement that each participant received a copy of the Investment Policy approved on January 7, 2020.

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

7. We randomly selected approved brokers as of March 31, 2020 (up to a maximum of 10 brokers) and verified that the County performed an evaluation of the brokers in accordance with the *Approved Broker* section of the Investment Policy approved on January 7, 2020. We also verified that each of the brokers sent written acknowledgements to the County that they received the Investment Policy approved on January 7, 2020.

Finding: No exceptions were noted as a result of applying our procedures in regards to the written acknowledgements to the County. The County's evaluation of new brokers is conducted during initial screening only. As the brokers as of March 31, 2020 were not new, this part of the procedure is not applicable.

8. We selected a sample of 25 purchases and 25 sales/maturities during the period from July 1, 2019 through March 31, 2020 and reviewed the County's compliance with the applicable Investment Policies approved on January 8, 2019 and January 7, 2020 by performing the procedures outlined below:

Purchases:

- a) Verified approval signatures on the trade ticket.
- b) Verified information in the trade ticket agreed with the information in the broker's confirmation.
- c) Verified information in the trade ticket agreed with the custodial bank security summary.
- d) Verified 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) Verified trade transaction information (investment type, investment number and amount) was accurately captured in the Summary Investment Pool Activity.
- f) Verified 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 Pooled Investment Fund (Fund) approved on January 8, 2019 and January 7, 2020 applicable during the year ended June 30, 2020.
- g) Verified if the maturity date of the purchased investment met the required limit of the Investment Policy.
- h) Verified if the County was in compliance with the credit and collateralization policy.

Sales/Maturities:

- a) Verified approval signatures on the trade ticket.
- b) Verified approval signature on the Investment Pool Activity Report.
- c) For the principal portion of investments that were not classified as cash equivalents, agreed the matured, sold or called investment transaction to the Realized Gain and Losses-Settled Trade Monthly Report.
- d) Verified investment information was accurately captured in the trade ticket.
- e) Verified 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. We reviewed the March 2020 monthly investment report and performed the following:
 - a. Determined whether the investments listed in the investment report were authorized by the California Government Code Section 53600 et seq.
 - b. Recalculated the value of the investments (fair value plus accrued interest) for the investments listed in the March 2020 investment report and summarized the investments by investment type and issuer and computed percentages of each to the total portfolio. We compared those percentages to the limits stated in the Investment Policy approved on January 7, 2020.
 - c. Determined that the March 2020 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 and verified that the March 2020 investment report was provided to Fund participants.

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. We reviewed the March 2020 monthly investment report and verified that the County General Fund was used to pay for the quarterly administrative fees incurred from January 2020 to March 2020 to comply with the investment compliance requirements pursuant to Article 6, Section 27135. We also verified 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, we verified that the County allocates net earnings based on the average daily balances, as required by the Investment Policy approved on January 7, 2020.

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

11. The County's withdrawal policies as stated in the Investment Policies approved on January 8, 2019 and January 7, 2020 contain the following information:
 - 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.

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.

We tested 25 withdrawals during the period from July 1, 2019 through March 31, 2020 to determine the County's compliance with its withdrawal policies as stated in the applicable Investment Policies approved on January 8, 2019 and January 7, 2020.

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

This agreed-upon procedures engagement was conducted 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 Investment Policies for the Pooled Investment Fund approved on January 8, 2019 and January 7, 2020. 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.

This report is intended solely for the information and use of the specified users listed above, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Macias Gini E O'Connell CPA". The signature is written in a cursive style with a distinct loop for the letter 'P'.

Walnut Creek, California
July 21, 2020