



**Crowe LLP**  
Independent Member Crowe Global

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and City Council  
City of Cupertino, California  
10300 Torre Avenue  
Cupertino, California 95014-3202

Ladies and Gentlemen:

We have performed the procedures enumerated in Appendix A on the Investment Policy of the City of Cupertino, California (the "City"). The City's management is responsible for the Investment Policy.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the Investment Policy. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. 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. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are contained in Appendix A.

We were engaged by the City 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 Investment Policy. 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 City 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 City and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP".

Crowe LLP

Costa Mesa, California  
March 31, 2023

## APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS

The procedures to be performed were as follows:

1. **Procedure:** We obtained the Investment Policies (policies), dated May 2021, approved by the Honorable Mayor and the City Council. We compared the investments authorized by the policy with the investments listed in the March 2022 Treasurer's Investment Report to determine if all investment types are allowed by the investment policy.

**Result:** The procedure was performed with no exceptions noted.

2. **Procedure:** We compared the City's Investment Policy with California Government Code Section 53601 to determine whether the City's Investment Policy complied with California Government Code Section 53601.

**Result:** The procedure was performed with no exceptions noted.

3. **Procedure:** We compared the March 2022 Treasurer's Investment Report with California Government Code Section 53646 to ensure that the March 2022 Treasurer's Investment Report complied with California Government Code Section 53646.

**Result:** The procedure was performed with no exceptions noted.

4. **Procedure:** We inquired of the Finance Manager whether investment performance statistics and activity reports were generated on a quarterly basis for presentation to the Oversight (Audit) Committee, City Manager and the Honorable Mayor and the City Council, as required by the Investment Policy.

**Result:** The procedure was performed with no exceptions noted.

5. **Procedure:** We inquired of the Finance Manager and documented our understanding of the wire transfer procedures.

**Result:** The procedure was performed with no exceptions noted. We noted that the City's wire transfer procedures indicate that if a wire is initiated by one of the City's accountants, then the Finance Manager has the authority to approve the transfer, pending that the applicable expenses and reasoning/need for the wire are appropriate relating to the request. If the Finance Manager initiates the wire, then the Director of Administration can approve the wire transfer pending the requirements noted above.

6. **Procedure:** We randomly selected three investment sales/maturities from various quarters of Treasurer's Reports and performed the following:

- Traced investment type to the supporting broker's confirmation and the Chandler Report.
- Traced the maturity date to the supporting broker's confirmation and the Chandler Report.
- Traced the amount of the investment sold to the supporting broker's confirmation and the Chandler Report.

**Result:** The procedure was performed with no exceptions noted.

7. **Procedure:** We randomly selected two investments purchased (one as of October 2021 and one as of March 2022) for fiscal year 2022 from the City's investments files and performed the following:

- Trace the purchased investments to the corresponding Treasurer's Investment Report for the month in which the investments were acquired.
- Agree the amount, terms and interest rate to the Treasurer's Investment Report.

- Verify that the investment type is authorized by the Investment Policy by comparing the type of investment to the allowable types per the Investment Policy.

**Result:** The procedure was performed with no exceptions noted.

8. **Procedure:** We obtained the Wells Fargo Bank Market/Cost Value Comparison Report, the City's third party investment safekeeping custodian, for March 2022 and traced the following from each investment listed in the Wells Fargo statement to the City's March 2022 Treasurer's Investment Report:

- Investment description
- Market value
- Purchase date
- Maturity date
- Coupon rate

**Result:** Per observation of the Principal Custody Solution (formerly Wells Fargo Bank) Market/Cost Value Comparison report, purchase dates are not presented and could not be agreed to the City's Treasury Investment Report. This section of the procedure could not be performed. Crowe noted a variance of \$175,328.29 between the Cost Value Comparison Report and March 2022 Treasurer's Investment report. Per inquiry with management, the discrepancy in market value is due to a timing issue when the City's investment advisor obtained market value pricing of the investments for their report vs the City's March 2022 Treasurer's Investment report that was independently prepared by the City with information from the investment custodian. The City's investment advisor and the City's investment custodian independently represented that the information reported was valid based on the timing of when their data was sourced.

9. **Procedure:** We traced three randomly selected Federal Agency investments that were purchased in fiscal 2022 and traced the reported ratings to Moody's rating online.

**Result:** The procedure was performed with no exception noted.

10. **Procedure:** For the March 2022 Treasurer's Investment Report, we re-computed or obtained third-party corroborating evidence of the correct listing of:

- Average Yield
- Market value
- Purchase date
- Duration

**Result:** We obtained the March 2022 Treasurer's Investment Report prepared by Chandler Asset Management, Inc. and the Wells Fargo (formerly Wells Fargo Bank) Market/Cost Value Comparison. Crowe performed the procedure and noted the following:

- 1) Average Market Yield return has a difference of 0.01% from what was presented on the Treasurer's report.
- 2) Market Value variance of \$175,328.29 between the Chandler Asset Management, Inc. report and March 2022 Treasurer's Investment report that was independently prepared by the City with information from the investment custodian.
- 3) Purchase Date – no exception noted.
- 4) The average modified duration has a variance of 0.23 compared to what was noted in the March 2022 Treasurer's Investment Report.