DRAFT MINUTES
CUPERTINO AUDIT COMMITTEE
Monday, July 28, 2025

At 4:00 p.m. Chair Eno Schmidt called the Regular Audit Committee meeting to order at the Quinlan Conference Room, 10185 North Stelling Road.

ROLL CALL

Present: Chair Eno Schmidt, Vice Mayor Kitty Moore, Council Member Sheila Mohan, and Committee Member William Wong. Absent: Vice Chair Hanyan Wu.

APPROVAL OF MINUTES

1. Subject: Approve Minutes of Regular Meeting on April 28, 2025
Recommended Action: Approve Minutes of Regular Meeting on April 28, 2025

Chair Schmidt opened the public comment period, and seeing no one, closed the public comment period.

MOTION: Mohan moved and Moore seconded to approve the corrected April 28, 2025 Regular Audit Committee Minutes. The motion carried with the following vote: Ayes: Schmidt, Moore, Mohan, Wong. Noes: None. Abstain: None. Absent: Wu.

2. Subject: Approve Minutes of Special Meeting on May 12, 2025
Recommended Action: Approve Minutes of Special Meeting on May 12, 2025

Chair Schmidt opened the public comment period, and seeing no one, closed the public comment period.

MOTION: Mohan moved and Moore seconded to approve the corrected May 12, 2025 Special Audit Committee Minutes. The motion carried with the following vote: Ayes: Schmidt, Moore, Mohan, Wong. Noes: None. Abstain: None. Absent: Wu.

POSTPONEMENTS – None

ORAL COMMUNICATIONS – None

OLD BUSINESS – None

NEW BUSINESS –

3. Subject: INFORMATIONAL ITEM Fiscal Year 2024-25 ACFR Interim Testing Update
Recommended Action: Receive the Fiscal Year 2024-25 ACFR Interim Testing Update
Presenter: The Pun Group

Chair Schmidt introduced Pun Group Partner Sophia Kuo, who gave a presentation.

Committee Members asked questions and made comments, which staff and the presenter responded to.

4. Subject: INFORMATIONAL ITEM Receive OPEB & Pension Section 115 Trust Performance Report for Quarter Ending June 30, 2025
Recommended Action: Receive OPEB & Pension Section 115 Trust Performance Report for Quarter Ending June 30, 2025
Presenter: PARS and US Bank
4:25(10)
Chair Schmidt introduced Vice President & Senior Institutional Client Portfolio Manager from PFM Asset Management Dennis Mullins, who gave a presentation.

Chair Schmidt opened the public comment period, and seeing no one, closed the public comment period.

Committee Members asked questions and made comments, which the presenter responded to.

5. Subject: INFORMATIONAL ITEM Receive the Treasurer's Investment Report for the Quarter Ending June 30, 2025
Recommended Action: Receive the Treasurer's Investment Report for the Quarter Ending June 30, 2025

Chair Schmidt introduced Finance Manager Jonathan Orozco and Senior Portfolio Strategist at Chandler Asset Management, Carlos Oblites, who gave a presentation.

Committee Members asked questions and made comments, which staff and the presenter responded to.

6. Subject: INFORMATIONAL ITEM Receive the Internal Audit and Fraud, Waste, and Abuse programs update
Recommended Action: Receive the Internal Audit and Fraud, Waste, and Abuse programs update

Chair Schmidt introduced representatives from Baker Tilly, who gave a presentation.

Committee Members asked questions and made comments, which presenters and staff responded to.

7. Subject: ACTION ITEM Discuss Audit Committee Duties, Powers, and Responsibilities
Recommended Action: Provide recommendation (if any) to City Council for an Audit Committee municipal code Government Code Section 2.88.100 update

Chair Schmidt introduced Finance Manager Jonathan Orozco who gave a presentation.

Committee Members asked questions and made comments, which staff responded to.

MOTION: Chair Schmidt moved and Moore seconded to approve the following updates to Audit Committee municipal code Government Code Section 2.88.100

- Change the name of the Committee to "Audit and Finance Committee".
- Modify the wording of current item 2.88.100(g) to read "To review city's internal controls and internal audit reports".
- Add new item 2.88.100(i): "To review the use of artificial intelligence in the city's financial reporting, internal control over financial reporting, risk management and compliance."

The motion carried with the following vote: Ayes: Schmidt, Moore, Mohan, Wong. Noes: None. Abstain: None. Absent: Wu.

8. Subject: ACTION ITEM Special Revenue Fund Process Audit Update
Recommended Action: Receive Special Revenue Fund Process Audit Update and forward to City Council

Chair Schmidt introduced representatives from Baker Tilly, who gave a presentation.

Committee Members asked questions and made comments, which staff and the presenter responded to.

Committee Members made the following recommendations:

- Forward the report and its recommendations to the City Council
- Staff to update the BMR handbook to address audit findings
- Ensure internal audit findings are clearly explained and reflected accurately in presentations to City Council.

- Track and verify the status of key funds (e.g., SB-1, Measure B 2016, Art In-Lieu) to confirm proper classification and use.

Moore moved and Mohan seconded to forward the Special Revenue Fund Process Audit Update to City Council incorporating these recommendations. The motion carried with the following vote: Ayes: Schmidt, Moore, Mohan, Wong. Noes: None. Abstain: None. Absent: Wu.

Due to time constraints, Committee Members continued the following items to the next meeting:

9. Subject: ACTION ITEM Budget Format Review Presentation and Formation of Budget Format Review Subcommittee
Recommended Action: 1. Receive Budget Format Review presentation as outlined in the Budget Format Implementation Action Plan (IAP) recommendation #30
2. Form Budget Format Review subcommittee
Presenter: Kristina Alfaro, Director of Administrative Services

This item was continued to the next Audit Committee meeting.

10. Subject: INFORMATIONAL ITEM Receive the proposed Audit Committee 2025 Schedule and Workplan
Recommended Action: Receive the proposed Audit Committee 2025 Schedule and Workplan
Presenter: Jonathan Orozco, Finance Manager
5:55(5)

This item was continued to the next Audit Committee meeting.

STAFF AND COMMISSION REPORTS – None

FUTURE AGENDA SETTING – None

ADJOURNMENT

At 6:03 p.m. Chair Schmidt adjourned the Regular Audit Committee Meeting.

Minutes prepared by:

Lindsay Nelson, Administrative Assistant