

**CITY OF ALAMEDA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
TESTING THE CITY'S COMPLIANCE WITH
CERTAIN PROVISIONS OF THE CITY'S
2022 INVESTMENT POLICY
FOR THE YEAR ENDED JUNE 30, 2022**

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2022 INVESTMENT POLICY
FOR THE YEAR ENDED JUNE 30, 2022**

Honorable Mayor and Members
of the City Council
City of Alameda, California

We have performed the procedures enumerated below on testing the City of Alameda's compliance with certain provisions of the City's 2022 Investment Policy as of June 30, 2022. The City's management is responsible for the City's compliance with the City's 2022 Investment Policy.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of testing the City's compliance with certain provisions of the City's 2022 Investment Policy. 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. In addition, the procedures below do not include testing compliance of the investments of Alameda Municipal Power, an Enterprise Fund and Department of the City, which has its own separate Investment Policy

The procedures and associated findings are as follows:

1. We obtained and read the City's 2022 Investment Policy adopted on May 15, 2021.
2. Section V. Internal Controls of the Investment Policy and Section VI. Investment Procedures and Delegation of Authority require the City to have a written "system of internal controls" related to the investment function. We obtained the written procedures for fiscal year 2022, but we understand they were not written until October 2022. However, we did note that the prior written procedures were dated November 30, 2021.

The City should ensure it is in compliance with the provisions of the Investment Policy when adopted.

3. We tested the City's compliance with the following provisions of the Investment Policy:

VI. Investment Procedures and Delegation of Authority

We tested whether the City's investment managers are registered under the Investment Advisers Act of 1940 on May 2, 2022 and found:

- Chandler Asset Management (CRD # 107287/SEC#:801-44378) is registered as an investment advisor with a registration status of "Approved" per <https://adviserinfo.sec.gov/firm/summary/107287>
- PFM Fund Distributors, Inc. (dba PFM Asset Management) (CRD#: 114474/SEC#: 8-53496) is registered as a brokerage firm, with a registration status of "Approved" per <https://brokercheck.finra.org/firm/summary/114474>

VII. Safekeeping and Custody

We obtained the June 30, 2022 US Bank third party custodian statement and reconciled it to the June 2022 Quarterly Investment Report to determine that all securities included in the Quarterly Investment Report were held by the City's third party custodian without exception. We noted that the only investments in the Quarterly Investment Report that were not included in the custodian statement were the Local Agency Investment Fund (LAIF) account, Bank of Marin Certificate of Deposit account, and Beacon Business Bank Certificate of Deposit Account.

IX. Authorized Investments, Maximum Maturities and Investment Accounts

We tested the composition of the City's June 2022 Monthly Investment Report for compliance with the types of securities held and the maximum holdings, maximum per issuer and maximum maturity limitations without exception.

We selected 14 investment purchase transactions from July 1, 2021 to June 30, 2022 out of 124 total purchases for fiscal year 2022 and tested for the following without exception:

- Authorization
- Compliance with bid requirements, as applicable
- Investment rating at time of purchase to Moody's or S&P and for compliance with Investment Policy minimum rating requirement, as applicable
- Addition to the safekeeping statement in the month purchased
- Addition to the Quarterly Investment Report in the quarter purchased

X. Due Diligence: Adding Investment Pools/ Mutual Funds/ Money Market Funds

The City did not add any of the account types listed during the year ended June 30, 2022. The City had two existing accounts at June 30, 2022, therefore, we selected one account (Local Agency Investment Fund (LAIF)) for testing of the last time the City obtained the information from the pool. The Investment Policy requires that 12 points of information be obtained "on a regular basis". City staff did obtain the information from the LAIF pool, but not until December 2022, which was after we had requested the documentation.

The City should develop procedures to obtain the 12 points of information from all existing, and any new, Investment Pools/Mutual Funds/Money Market Funds on a regular basis, in accordance with the requirements of the Investment Policy.

XII. Collateralization

The City did not have any time deposits in savings and loans at June 30, 2022 and did not have non-negotiable certificates of deposit in excess of \$250,000 outstanding at June 30, 2022, therefore we did not select 10% of such investments to trace to collateralization documentation and test whether in compliance with the collateralization requirements of the California Government Code and the Investment Policy.

4. We did not test for compliance with the following provisions of the Investment Policy:

- I. Statement of Purpose and Adoption of Policy
- II. Scope
- III. Objectives and Performance Standards
- IV. Prudence and Risk Tolerance
- VIII. Authorized Banks and Financial Securities Dealers and Institutions
(the City contracts with an outside investment manager)
- XI. Diversification
- XIII. Ethics and Conflicts of Interest
- XIV. Investment Advisory Committee / Reporting Requirements
- Attachment A. Glossary

We were engaged by the City to perform this agreed-upon procedures engagement and conducted out 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 City's compliance with certain provisions of the City's 2022 Investment Policy for the year ended June 30, 2022. 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 management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.



Pleasant Hill, California
December 29, 2022

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