

**AGREED-UPON PROCEDURES  
APPLIED TO INVESTMENT  
PORTFOLIOS  
OF LOCAL GOVERNMENTS**

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**A CCMA WHITE PAPER  
FOR  
CALIFORNIA  
LOCAL GOVERNMENTS**

**Original Issue Date: June 2001  
Revised and Re-Issued: October 2022**

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**INTRODUCTION**

**Scope and Limitations:** This CCMA White Paper summarizes and does not contain all of the information contained in AT-C Section 215, *Agreed-Upon Procedures Engagements*. Readers should look to the full text of the AT-C Section 215 to fully understand the details of their responsibilities. Local governments and their auditors must apply their own professional judgment to determine if information in this CCMA White Paper is appropriate for their facts and circumstances and must ultimately draw their own conclusions as to the proper application of the Statement on Standards for Attestation Engagements (SSAE) No. 19.

**Disclaimer:** This California Committee on Municipal Accounting White Paper is not authoritative guidance. The views expressed in this White Paper are not official positions of the GASB, the AICPA, the CalCPA or the League of California Cities. Official positions of the GASB and the AICPA are reached only after extensive due process and deliberations. Professional judgment is required.

**Introduction to this White Paper:** On occasion, a local government may request that its auditor perform specific procedures relating to its investment portfolio that are in addition to what is normally performed in an audit in accordance with generally accepted auditing standards. In 1997, the California Committee on Municipal Accounting issued a paper to provide guidance on the recommended form of reporting for such engagements. SAS No. 75 was used as the authoritative basis for such reporting. In 2001, the Auditing Standards Board withdrew SAS 75. All agreed-upon procedures are now performed under *attestation standards*, rather than auditing standards. In December 2019, SSAE No. 19 was issued and supersedes the prior attestation standards. The purpose of this white paper is to revise the recommended reporting for such engagements to conform to these changes in the attestation standards that became effective in July 2021.

The nature of these engagements varies according to the specific circumstances applicable to the local government involved. However, these engagements are generally fairly narrow in scope and address very specific objectives applicable to a Treasurer's report or other similar investment schedules as of a specific date. Because of the limitations (and cost) of the procedures involved, these engagements are not designed to provide conclusions about the appropriateness of a particular investment strategy or to offer overly broad conclusions about compliance with laws and regulations.

**BACKGROUND AND AUTHORITATIVE REFERENCES**

In September 1995, the AICPA's Auditing Standards Board issued SAS No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement*. This auditing standard addressed the proper wording for engagements to perform agreed-upon procedures that were applied to the elements of a financial statement, including the accounting records that underlie such financial statements. On the other hand, agreed-upon procedure engagements applied to *nonfinancial* subject matter or assertions were required to be performed under the attestation standards (i.e., SSAE No. 3, etc.), rather than the auditing standards (i.e., SAS 75, etc.). In January 2001, the AICPA's Auditing Standards Board issued SSAE No. 10, *Attestation Standards: Revision and Recodification*, which, in part, amended the attestation standards to remove the requirement for a *written* assertion as a condition of performance for agreed-upon procedures engagements under the attestation standards. With the removal of this requirement, the AICPA's Auditing Standards Board also issued SAS No. 93, *Omnibus Statement on Auditing Standards*, which, in part, rescinded SAS No. 75. This was done in order to consolidate the guidance applicable to agreed-upon procedures engagements under the professional standards. Those standards were superseded by SSAE No. 19, issued in December 2019. The effective date is for reports dated on or after July 15, 2021 with earlier application permitted.

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October 2022**

In October 1996, the *California Debt Advisory Commission* (CDAC) developed guidelines (entitled *Local Agency Investment Guidelines*) recommending how to interpret and implement statutory changes in the California Government Code affecting local government investments and Treasurer reporting on those investments. The practitioner should consider these guidelines when performing the engagements addressed by this white paper.

**Applicability of AT-C Section 215 (SSAE No. 19) to Financial Data Derived from Accounting Records**

Paragraph .02 of AT-C Section 215 states:

An agreed-upon procedures engagement is an attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion. The subject matter may be financial or nonfinancial information. Because the needs of an engaging party may vary widely, the nature, timing, and extent of the procedures may vary, as well.

**Conclusions**

Based upon these definitions, it is clear that AT-C Section 215 (SSAE No. 19) would apply to the reporting associated with the agreed-upon procedures applied to the listing of a City's investments contained in a Treasurer's report or other similar schedule. Accordingly, the accompanying example has been provided to illustrate the appropriate wording to use to report the results of agreed-upon procedures applied to the investment records of a local governmental unit using the language specified by AT-C Section 215 (SSAE No. 19).

The nature and extent of the procedures to be performed will vary from engagement to engagement. Different local governments have investment portfolios with various compositions and with differing inherent risks. Different local governments may have different concerns with regard to their portfolio. Furthermore, because these special procedures can be quite costly, some local governments may limit the agreed-upon procedures.

Accordingly, the accompanying example wording that is provided for illustration purposes only will need to be altered to fit the circumstances of each engagement. The procedures listed are provided for illustration purposes only and are not meant to suggest those procedures that should be performed in any particular situation.

**AGREED-UPON PROCEDURES APPLIED  
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October 2022**

City Council  
City of Example, California

Independent Accountants' Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below on the Treasurer's Report for the month ended December 31, 20XX. The management of City of Example is responsible for the Treasurer's Report for the month ended December 31, 20XX.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the Treasurer's Report for the month ended December 31, 20XX for compliance with the provisions of the California Government Code and with the City's investment policy dated XXXX. 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 associated findings are as follows:

1. We obtained a copy of the Treasurer's Report as of December 31, 20XX and agreed individual investments/deposits to supporting documentation [custodian statements, bank statements, broker confirmations, etc.] obtained from the City and reconciled such to the Treasurer's Report. We traced total investments listed on the Treasurer's Report to the City's general ledger.

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

2. We compared the investments listed in the Treasurer's Report as of December 31, 20XX to the types of investments authorized for the City by the City's investment policy and Government Code Section 53601.

Finding: No unauthorized investments were noted as a result of our procedures.

3. We compared the market value of the investments listed in the Treasurer's Report as of December 31, 20XX to [custodian statements, bank statements, broker confirmations, etc.]

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

**AGREED-UPON PROCEDURES APPLIED  
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October 2022**

4. We read the Treasurer's Report to ascertain if it contained the information/data required by Code Section 53646 and met the timing requirements of Code Section 53646, as follows:
- a. Was submitted within 30 days following the end of the quarter.
  - b. Included type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and monies held by the City.
  - c. Included those funds under management of contracted parties (fiscal agents, trustees, deferred compensation administrators, etc.)
  - d. Included market value (and source) as of the date of the report of all securities held by the City or under management of any outside party.
  - e. Stated compliance of the portfolio to the investment policy of the City.
  - f. Included a statement addressing the ability of the City to meet the pool's expenditure requirements for the next six months.

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

5. We compared the investments listed in the Treasurer's Report as of December 31, 20XX to the prohibited investments listed in Government Code Section 53601.6.

Finding: No such prohibited investments were noted in the Treasurer's Report as a result of our procedures.

6. We calculated the totals (cost basis) for the investment types listed in the Treasurer's Report as of December 31, 20XX and compared those totals to the limitations imposed by the City investment policy and Government Code Section 53601 for specified investment types.

Finding: We found no violations of such limitations, except that the City's holdings in commercial paper was \_\_\_\_\_%, which exceeded the 15 % limitation imposed by the City investment policy and Government Code Section 53601. When the commercial paper investments were purchased, the City was in compliance with the stipulated 15% limitation for commercial paper investments. However, as of December 31, 20XX, the amount of the total City portfolio had diminished so that the current balance of commercial paper investments represented a greater percentage (\_\_\_\_\_% ) of the City's portfolio than that allowed by Government Code Section 53601.

7. We agreed individual investment maturity dates listed in the Treasurer's Report as of December 31, 20XX to the City's copies of investment statements to determine if they conformed to the maturity requirements of the City investment policy and Government Code Section 53601.

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

**AGREED-UPON PROCEDURES APPLIED  
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October 2022**

8. We obtained and read the third-party custodial agreements(s) and broker/dealer agreement(s) in effect at the date of the Treasurer’s Report to determine if the agreements contained a clause addressing delivery of securities and that the delivery method conformed to Code Section 53601.

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

9. We recomputed and reviewed supporting documentation relevant to the repurchase agreements and reverse repurchase agreements held by the City on December 31, 20XX to ascertain if these investments conformed to the following requirements of Code Section 53601(i) and 53635(i):
- a. The delivery of the securities and the underlying collateral was in accordance with the requirements of Section 53601.
  - b. The market value of the securities underlying the repurchase agreement was 102 percent or greater than the value of the funds borrowed.
  - c. The City owned and fully paid for the underlying securities to be sold for reverse repurchase agreements for a minimum of 30 days prior to sale.
  - d. The maximum amount of funds used in the reverse repurchase agreement did not exceed 20 percent of the base value of the portfolio of the City.
  - e. The maximum term of reverse repurchase agreements did not exceed 92 days (unless a written agreement was in place guaranteeing the minimum earnings spread for the entire period between the sale and the maturity of the security).

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

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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Treasurer’s Report dated December 31, 20XX. 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 Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Firm’s signature*

*Firm’s City*

*[Date procedures were completed]*