



**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-upon Procedures

Quarters Ended September 30, 2008 and December 31, 2008

**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

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## Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. R. Thomas Wagner Jr.  
State Auditor  
Office of Auditor of Accounts  
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended September 30, 2008 and December 31, 2008. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Controller General of the United States, and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the State Treasurer's Office reconciliation of bank balances to DFMS for each quarter, and performed the following:
  - For the September and December reconciliations, agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. No exceptions were noted.
  - For the September and December reconciliations, obtained explanations and examined supporting documentation for reconciling items over \$2,825,000, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
  - Recalculated the September and December reconciliations for mathematical accuracy. No exceptions were noted.
  - For the September and December reconciliations, compared the types and amounts of reconciling items over \$2,825,000 for nonrecurring items. No items were noted that were both over \$2,825,000 and nonrecurring.
  - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.



- Obtained and reviewed the Office of State Treasurer’s bank reconciliation policies and procedures dated February 28, 2000, in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its reconciliations for the months ended September 30, 2008 and December 31, 2008. No deviation from written policy was noted.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
  - Selected transfers for amounts in excess of \$2,825,000 for the September and December quarters and agreed the transfer information to the applicable month’s bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
  - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
  - Haphazardly selected the following five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.

|                                   | <u>Wire date</u> | <u>Amount</u> |
|-----------------------------------|------------------|---------------|
| Quarter ended September 30, 2008: | 7/22/08          | \$ 6,350,172  |
|                                   | 8/15/08          | 4,515,525     |
|                                   | 8/25/08          | 8,678,732     |
|                                   | 8/28/08          | 4,434,675     |
|                                   | 9/9/08           | 4,025,460     |
| Quarter ended December 31, 2008:  | 10/22/08         | \$ 4,555,334  |
|                                   | 11/5/08          | 5,382,403     |
|                                   | 11/14/08         | 8,557,617     |
|                                   | 12/9/08          | 9,065,973     |
|                                   | 12/23/08         | 7,073,410     |

- Obtained the Office of State Treasurer’s General Account Reconciliation for the September and December quarters, summarized each quarter’s reconciliations into the form of Exhibit A attached, and performed the following procedures:
  - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
  - Agreed the ending book balance to the ending balance as reported in Exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity and obtained the “Proof of Cash Reconciliation” in the form of Exhibit B attached, and performed the following procedure:



- Agreed the beginning balances to the prior month's ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. 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 Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

June 11, 2009

**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

Schedule of Findings

Quarters ended September 30, 2008 and December 31, 2008

**Current-Quarter Findings and Recommendations**

No findings or recommendations noted.

**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

General Account Cash Reconciliation

September 30, 2008

|  |    |                             |
|--|----|-----------------------------|
| Balance per Citizens Bank  | \$ | 9,037,593                   |
| Balance per Mellon Bank  |    | 3,447,127                   |
|  |    | <u>12,484,720</u>           |
| Bank balance at September 30, 2008   |    | <u>12,484,720</u>           |
| Additions:   |    |                             |
| Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374 |    | 480,699                     |
| Balance at Bank of America, Labor Lockbox, account number 000030142718                 |    | 1,032,690                   |
| Balance at Bank of New York Mellon, account number 353607, 353608 and 830753           |    | 151,377,054                 |
| Balance at Wilmington Trust, account number 830755                                     |    | 135,649,387                 |
| Investments managed by JP Morgan Bank, account number 830752                           |    | 194,311,958                 |
| Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759      |    | 316,865,897                 |
| Investments managed by Wilmington Trust, account number 830754                         |    | 384,220,192                 |
| Investments managed by Wachovia Bank, account number 830751                            |    | 298,601,275                 |
| Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758       |    | 69,600,633                  |
| Balance at PNC Bank, Concentration, account number 56-9401099-3                        |    | 917,044                     |
| Fidelity Government Obligation Bonds, account number 80427073                          |    | 769,782                     |
| Balance at PNC Bank, DMR Special Services, account number 56-94003988                  |    | 9,176                       |
| Qualified Zone Academy Bonds held at US Bank, account number 107954000                 |    | 73,524                      |
| Receivables from various sources   |    | 333,143                     |
| Deposits in transit  |    | 933,931                     |
| Subtotal   |    | <u>1,555,176,385</u>        |
| Deductions:  |    |                             |
| Outstanding ZBAs – outstanding checks  |    | 81,955,436                  |
| Payable for bank errors  |    | 32,937                      |
| Payable to Mellon 07/98  |    | 10,069                      |
| Payable to PNC Bank miscellaneous adjustments  |    | 44,323                      |
| Subtotal   |    | <u>82,042,765</u>           |
| Balance per State Treasurer’s books, adjusted, September 30, 2008                      | \$ | <u><u>1,485,618,340</u></u> |

**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

General Account Cash Reconciliation

December 31, 2008

|  |    |                             |
|--|----|-----------------------------|
| Balance per Citizens Bank  | \$ | 6,671,627                   |
| Balance per Mellon Bank  |    | 597,339                     |
|  |    | <u>7,268,966</u>            |
| Bank balance at December 31, 2008  |    |                             |
| Additions:   |    |                             |
| Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374 |    | 229,460                     |
| Balance at Bank of America, Labor Lockbox, account number 000030142718                 |    | 1,298                       |
| Balance at Bank of New York Mellon, account number 353607, 353608 and 830753           |    | 182,691,358                 |
| Balance at Wilmington Trust, account number 830755                                     |    | 71,117,790                  |
| Investments managed by JP Morgan Bank, account number 830752                           |    | 195,090,154                 |
| Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759      |    | 253,517,396                 |
| Investments managed by Wilmington Trust, account number 830754                         |    | 487,397,251                 |
| Investments managed by Wachovia Bank, account number 830751                            |    | 299,783,014                 |
| Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758       |    | 69,892,958                  |
| Balance at PNC Bank, Concentration, account number 56-9401099-3                        |    | 977,347                     |
| Fidelity Government Obligation Bonds, account number 80427073                          |    | 772,756                     |
| Balance at PNC Bank, DMR Special Services, account number 56-94003988                  |    | 249,402                     |
| Qualified Zone Academy Bonds held at US Bank, account number 107954000                 |    | 147,062                     |
| Receivables from various sources   |    | 164,073                     |
| Deposits in transit  |    | 525,959                     |
|  |    | <u>1,562,557,278</u>        |
| Subtotal   |    |                             |
| Deductions:  |    |                             |
| Outstanding ZBAs – outstanding checks  |    | 63,335,868                  |
| Payable for bank errors  |    | 31,936                      |
| Payable to Mellon 07/98  |    | 10,069                      |
| Payable to PNC Bank miscellaneous adjustments  |    | 44,324                      |
|  |    | <u>63,422,197</u>           |
| Subtotal   |    | 63,422,197                  |
| Balance per State Treasurer’s books, adjusted, December 31, 2008                       | \$ | <u><u>1,506,404,047</u></u> |

**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended September 30, 2008

|  |                                |
|--|--------------------------------|
| Balance per State Treasurer's books, July 1, 2008                          | \$ 1,822,961,811               |
| <b>Additions:</b>  |                                |
| Deposits to cash receipts journal  | 1,457,076,201                  |
| Receivables for bank errors  | 171,446                        |
| Receivables for CM Forgery Credits   | 3,924                          |
| Outstanding cash receipts  | 36,143,304                     |
| Division of Mental Retardation transfer                                    | 4,754                          |
| Outstanding checks – prior months  | 239,598,542                    |
| Subtotal   | <u>1,732,998,171</u>           |
| <b>Deductions:</b>   |                                |
| Deposits to cash receipts journal – credit card payments booked in transit | 331,079                        |
| Deposits to cash receipts journal – prior months                           | 25,124,927                     |
| Transfer for principal and interest on bonds                               | 66,955,000                     |
| Transfer from Mellon Bank for payroll and pension direct deposit           | 402,562,507                    |
| Transfer from Mellon Bank to Mercantile Bank for pensions                  | 55,606,034                     |
| Transfer from Mellon Bank for Coventry Healthcare                          | 123,115                        |
| Transfer from Mellon Bank for Aetna Healthcare                             | 6,380,938                      |
| Transfer from Mellon Bank for Deferred Compensation                        | 11,007,095                     |
| Transfer from Mellon Bank for Taepei                                       | 126,588                        |
| Transfer from Mellon Bank for EDS  | 57,272,072                     |
| Transfer from Mellon Bank for IFTA   | 102,079                        |
| Transfer from Mellon Bank for Bond Interest                                | 11,858,653                     |
| Transfer from Mellon Bank for Medicaid                                     | 3,445,405                      |
| Transfer from Mellon Bank for Pitney Bowes                                 | 82,849                         |
| Transfer from Mellon Bank for WSFS   | 39,082                         |
| Transfer from Mellon Bank for ACI PMT                                      | 2,175,574                      |
| Transfer from Mellon Bank for SSI  | 395,000                        |
| Transfer from Mellon Bank for Chase  | 8,600,659                      |
| Transfer from PNC Bank for bank fees, State Personnel Office               | 1,055                          |
| Transfer from PNC Bank for bonds   | 17,089,096                     |
| Transfer for federal income tax, FICA, and Medicare                        | 135,124,420                    |
| ACH transfers  | 619,599,650                    |
| Bad-check summary  | 113,801                        |
| Transfer for cleared ZBAs  | 433,757,310                    |
| Transfer for outstanding ZBAs  | 212,467,654                    |
| Subtotal   | <u>2,070,341,642</u>           |
| Balance per State Treasurer's books, adjusted, September 30, 2008          | <u><u>\$ 1,485,618,340</u></u> |

**STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended December 31, 2008

|  |                                |
|--|--------------------------------|
| Balance per State Treasurer's books, October 1, 2008                       | \$ 1,485,618,340               |
| <b>Additions:</b>  |                                |
| Deposits to cash receipts journal  | 1,733,876,063                  |
| Receivables for bank errors  | 4,011                          |
| Receivables for CM Forgery Credits   | 1,091                          |
| Outstanding cash receipts  | 33,971,001                     |
| Division of Mental Retardation transfer                                    | 240,226                        |
| Outstanding checks – prior months  | 204,898,859                    |
| Subtotal   | <u>1,972,991,251</u>           |
| <b>Deductions:</b>   |                                |
| Deposits to cash receipts journal – credit card payments booked in transit | 910,355                        |
| Deposits to cash receipts journal – prior months                           | 29,469,081                     |
| Transfer from Mellon Bank for payroll and pension direct deposit           | 361,967,430                    |
| Transfer from Mellon Bank to Mercantile Bank for pensions                  | 48,483,587                     |
| Transfer from Mellon Bank for Coventry Healthcare                          | 181,008                        |
| Transfer from Mellon Bank for Aetna Healthcare                             | 5,482,308                      |
| Transfer from Mellon Bank for Diplomatic Guide Services                    | 4,147                          |
| Transfer from Mellon Bank for Energy Education                             | 150,000                        |
| Transfer from Mellon Bank for Vietnam                                      | 11,346                         |
| Transfer from Mellon Bank for DHSS Child Care                              | 174,088                        |
| Transfer from Mellon Bank for Deferred Compensation                        | 7,661,363                      |
| Transfer from Mellon Bank for Corporations                                 | 597,000                        |
| Transfer from Mellon Bank for DuPont                                       | 438,411                        |
| Transfer from Mellon Bank for GAB Robbins                                  | 42,769                         |
| Transfer from Mellon Bank for IFTA   | 144,332                        |
| Transfer from Mellon for Medicaid  | 3,465,761                      |
| Transfer from Mellon for ACI   | 1,132,297                      |
| Transfer from Mellon for SSI   | 293,000                        |
| Transfer from PNC Bank for bank fees, State Personnel Office               | 1,055                          |
| Transfer from PNC Bank for bonds   | 5,078,313                      |
| Transfer for federal income tax, FICA, and Medicare                        | 119,146,379                    |
| ACH transfers  | 716,278,125                    |
| Bad Check Summary  | (17,013)                       |
| Transfer for cleared ZBAs  | 464,831,111                    |
| Transfer for outstanding ZBAs  | 186,279,291                    |
| Subtotal   | <u>1,952,205,544</u>           |
| Balance per State Treasurer's books, adjusted December 31, 2008            | <u><u>\$ 1,506,404,047</u></u> |