



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

Independent Accountants' Report on Applying  
Agreed-upon Procedures

Quarters Ended March 31, 2010 and June 30, 2010

**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 March 31, 2010 and June 30, 2010. 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 the 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 March and June 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 March and June reconciliations, obtained explanations and examined supporting documentation for reconciling items over \$3,400,000, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
  - Recalculated the March and June reconciliations for mathematical accuracy. No exceptions were noted.
  - For the March and June reconciliations, compared the types and amounts of reconciling items over \$3,400,000 for nonrecurring items. No items were noted that were both over \$3,400,000 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 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 March 31, 2010 and June 30, 2010. 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 \$3,400,000 for the March and June 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 March 31, 2010:	1/6/10	\$ 357,753
	1/21/10	18,025
	2/10/10	7,242,070
	3/4/10	84,782
	3/25/10	1,960,674

	<u>Wire date</u>	<u>Amount</u>
Quarter ended June 30, 2010:	4/2/10	\$ 27,435
	5/6/10	102,150
	5/25/10	4,871,967
	6/7/10	254,767
	6/22/10	760,667

- Obtained the Office of State Treasurer’s General Account Reconciliation for the quarters ended March 31, 2010 and June 30, 2010, 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, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

October 15, 2010

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

Schedule of Findings

Quarters ended March 31, 2010 and June 30, 2010

**Current-Quarter Findings and Recommendations**

No findings or recommendations noted.

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

General Account Cash Reconciliation

March 31, 2010

Balance per Citizens Bank	\$	4,221,411
Balance per Mellon Bank		29,244,860
		<u>33,466,271</u>
Bank balance at March 31, 2010		<u>33,466,271</u>
<b>Additions:</b>		
Investments managed by Morgan Bank, account number 830752		322,276,933
Investments managed by Wilmington Trust, account number 830754		363,017,091
Investments managed by Wachovia Bank, account number 830751		365,883,287
Receivables from various sources		145,699
Deposits in transit		1,409,676
Balance at Bank of New York Mellon, account number 353607, 353608 and 830753		157,465,624
Fidelity Government Obligation Bonds 1998A		52,958,015
Balance at Wilmington Trust, DELGIP, account number 830755		73,955,636
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758		72,162,608
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374		2,472,595
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759		418,197,033
Balance at Bank of America, Labor Lockbox		112,999
Balance at Bank of America, Credit Cards, account number 00446706-4630		—
Balance at PNC Bank, Concentration, account number 56-9401099-3		2,136,439
Balance at PNC Bank, DMR Special Services, account number 56-94003988		2,876
U.S. Bank – Bonds #107954000		223,633
Subtotal		<u>1,832,420,144</u>
<b>Deductions:</b>		
Outstanding zero-balance accounts (ZBAs) – outstanding checks		69,818,883
Payable for bank errors		92
Payable to Mellon 07/98		10,069
Payable to PNC Bank miscellaneous adjustments		76,241
Subtotal		<u>69,905,285</u>
Balance per State Treasurer’s books, adjusted, March 31, 2010	\$	<u><u>1,795,981,130</u></u>

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

General Account Cash Reconciliation

June 30, 2010

Balance per Citizens Bank	\$ 5,482,427
Balance per Mellon Bank	6,865,541
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Bank balance at June 30, 2010	12,347,968
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Additions:	
Investments managed by Morgan Bank, account number 830752	322,930,194
Investments managed by Wilmington Trust, account number 830754	385,015,752
Investments managed by Wachovia Bank, account number 830751	315,708,872
Receivables from various sources	136,041
Deposits in transit	93,665
Balance at Bank of New York Mellon, account number 353607, 353608 and 830753	190,004,275
Fidelity Government Obligation Bonds 1998A	3,661,667
Balance at Wilmington Trust, DELGIP, account number 830755	209,155,457
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758	72,918,164
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	885,872
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	421,353,065
Balance at Bank of America, Labor Lockbox	490,357
Balance at Bank of America, Credit Cards, account number 00446706-4630	—
Balance at PNC Bank, Concentration, account number 56-9401099-3	2,289,296
Balance at PNC Bank, DMR Special Services, account number 56-94003988	2,130
U.S. Bank – Bonds #107954000	226,665
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Subtotal	1,924,871,472
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Deductions:	
Outstanding ZBAs – outstanding checks	101,131,899
Payable for bank errors	92
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	76,241
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Subtotal	101,218,301
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Balance per State Treasurer's books, adjusted, June 30, 2010	\$ 1,836,001,139
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STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS

Proof of Cash Reconciliation

Three months ended March 31, 2010

Balance per State Treasurer's books, January 1, 2010	\$ <u>1,764,570,415</u>
Additions:	
Deposits to cash receipts journal	1,846,046,894
Receivables for bank errors	45,225
Receivables for CM Forgery Credits	1,618
Outstanding cash receipts	26,977,557
Division of Mental Retardation transfer	(709,184)
Outstanding checks – prior months	<u>180,369,058</u>
Subtotal	<u>2,052,731,168</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,866,420
Deposits to cash receipts journal – prior months	30,860,696
Transfer for principal and interest on bonds	68,130,000
Transfer from Mellon Bank for payroll and pension direct deposit	370,292,279
Transfer from Mellon Bank to Mercantile Bank for pensions	27,957,151
Transfer from Mellon Bank for Coventry Healthcare	—
Transfer from Mellon Bank for Aetna Healthcare	6,219,687
Transfer from Mellon Bank for National Data Services	17,213
Transfer from Mellon Bank for TSA Plan	4,620,492
Transfer from Mellon Bank for Taipei Office	20,000
Transfer from Mellon Bank for Foster Care	26,629,480
Transfer from Mellon Bank for Def Comp	7,497,580
Transfer from Mellon Bank for Saul Ewing LLP	76,027
Transfer from Mellon Bank for IFTA	1,225
Transfer from Mellon Bank for EDS	—
Transfer from Mellon Bank for Medicaid	2,561,003
Transfer from Mellon Bank for ACI PMT	858,081
Transfer from Mellon Bank for SSI	356,000
Transfer from PNC Bank for bank fees, State Personnel Office	111
Transfer from PNC Bank for bonds	27,732,879
Transfer for federal income tax, FICA, and Medicare	121,993,898
ACH transfers	736,308,160
Bad-check summary	(28,512)
Transfer for cleared ZBAs	389,725,767
Transfer for outstanding ZBAs	<u>197,624,816</u>
Subtotal	<u>2,021,320,453</u>
Balance per State Treasurer's books, adjusted, March 31, 2010	\$ <u><u>1,795,981,130</u></u>

STATE OF DELAWARE  
OFFICE OF STATE TREASURER  
BANK RECONCILIATIONS

Proof of Cash Reconciliation

Three months ended June 30, 2010

Balance per State Treasurer's books, April 1, 2010	\$ <u>1,795,981,130</u>
Additions:	
Deposits to cash receipts journal	2,104,206,761
Receivables for bank errors	4,657
Receivables for CM Forgery Credits	1,230
Outstanding cash receipts	16,430,922
Division of Mental Retardation transfer	(745)
Outstanding checks – prior months	<u>215,921,626</u>
Subtotal	<u>2,336,564,451</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	2,485,806
Deposits to cash receipts journal – prior months	34,792,104
Transfer for principal and interest on bonds	215,837,129
Transfer from Mellon Bank for payroll and pension direct deposit	211,368,792
Transfer from Mellon Bank to Mercantile Bank for pensions	27,714,532
Transfer from Mellon Bank for Coventry Healthcare	4,142,882
Transfer from Mellon Bank for Aetna Healthcare	2,909,190
Transfer from Mellon Bank for De Tran Trust Fund	27,588
Transfer from Mellon Bank for TSA Plan	2,290,131
Transfer from Mellon Bank for Taipei Office	1,215,740
Transfer from Mellon Bank for Foster Care	5,263,984
Transfer from Mellon Bank for Def Comp	5,593,664
Transfer from Mellon Bank for Saul Ewing LLP	921
Transfer from Mellon Bank for IFTA	94,784
Transfer from Mellon Bank for EDS	185
Transfer from Mellon Bank for Supercard	98,000
Transfer from Mellon Bank for ACI PMT	150,135
Transfer from Mellon Bank for SSI	189,000
Transfer from PNC Bank for bank fees, State Personnel Office	113
Transfer from PNC Bank for bonds	14,748,888
Transfer for federal income tax, FICA, and Medicare	112,098,381
ACH transfers	892,453,737
Bad-check summary	(61,129)
Transfer for cleared ZBAs	515,895,242
Transfer for outstanding ZBAs	<u>247,234,643</u>
Subtotal	<u>2,296,544,442</u>
Balance per State Treasurer's books, adjusted, June 30, 2010	\$ <u><u>1,836,001,139</u></u>