



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

Independent Accountants' Report on Applying Agreed-Upon Procedures

Quarters ended September 30, 2011 and December 31, 2011

**STATE OF DELAWARE
OFFICE OF THE 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 the 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 the State Treasurer as of September 30, 2011 and December 31, 2011. The Office of the State Treasurer's management is responsible for the State of Delaware's (State) bank reconciliations. This 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 described below 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 First State Financials (FSF) to the bank accounts reconciled by the Office of the State Treasurer and the accounts included as part of each quarter's ending cash balance in FSF cash accounts 11000, 11001, 11002, 11005, 11006, 11007, 11010, 11011, 11012, 11017, 11023, 11024, and 11025 and found them in agreement.
- Obtained the Office of the State Treasurer reconciliation of bank balances to FSF as of September 30, 2011 and December 31, 2011, and performed the following:
 - Agreed each bank balance to the actual bank statements, and also agreed each book balance to the FSF summary trial balance report. No exceptions were noted.
 - Obtained explanations and examined supporting documentation for reconciling items over \$4,148,000, including the subsequent clearing of these reconciling items in the following months. No exceptions were noted.
 - Recalculated the reconciliations for mathematical accuracy. No exceptions were noted.
 - Compared the types and amounts of reconciling items over \$4,148,000 for nonrecurring items. No items were noted that were both over \$4,148,000 and nonrecurring.
 - Agreed the cash balance reflected in the reconciliations to the Monthly Financial Report submitted by the Secretary of Finance to the Governor and members of the General Assembly. No exceptions were noted.
 - Obtained and reviewed the Office of the 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 the State Treasurer performed its September 30, 2011 and December 31, 2011 reconciliations. We noted that the 2000 policy document was still in effect



for the reconciliation process to FSF; there were no material changes to the reconciliation process. No deviation from written policy was noted.

- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected all transfers in excess of \$4,148,000 during the quarters ended September 30, 2011 and December 31, 2011 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 above to the appropriate postings in the accounts on the FSF 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 FSF summary trial balance report. No exceptions were noted.

	<u>Wire date</u>		<u>Amount</u>
Quarter ended September 30, 2011:	07/21/11	\$	15,400,000
	07/29/11		7,500,000
	08/23/11		12,800,000
	08/01/11		11,848,647
	09/09/11		11,900,000

	<u>Wire date</u>		<u>Amount</u>
Quarter ended December 31, 2011:	10/31/11	\$	14,100,000
	11/02/11		24,000,000
	11/15/11		9,298,080
	12/08/11		110,800,000
	12/01/11		43,000,000

- Obtained the Office of the State Treasurer’s General Account Reconciliation as of September 30, 2011 and December 31, 2011, 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 the 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 the 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

May 30, 2012

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

Schedule of Findings

Quarters ended September 30, 2011 and December 31, 2011

Findings and Recommendations for the Quarters ended September 30, 2011 and December 31, 2011

None.

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

Schedule of Status of Prior Findings

Quarters ended September 30, 2011 and December 31, 2011

2011 AUP-03. Outstanding Deposits

Condition

The State could not provide a detailed listing of outstanding deposits for the September and December reconciliations. Accordingly, we were unable to obtain explanations and examine supporting documentation for outstanding deposits over \$4,148,000.

Recommendation

In order to properly reconcile amounts from the accounting records to the bank balances, outstanding deposits must be identifiable. As such, we recommend that the State ensures that proper identification of outstanding deposits can be performed in order to properly reconcile its accounts.

Status

Fully Corrected. The Office of the State Treasurer has implemented a process to reconcile outstanding deposits listed in the FSF DAR0080 report to the outstanding deposit amounts presented in the monthly Treasurer's to FSF reconciliations.

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

General Account Cash Reconciliation

September 30, 2011

Balance per Citizens Bank	\$ 8,318,930
Balance per Mellon Bank	<u>145,776,227</u>
Bank balance at September 30, 2011	<u>154,095,157</u>
Additions:	
Investments managed by Morgan Bank, account number 830752	330,301,031
Investments managed by Wilmington Trust, account number 830754	458,991,988
Investments managed by Wachovia Bank, account number 830751	324,346,642
Receivables from various sources	136,875
Deposits in transit	790,839
Balance at Bank of New York Mellon, account number 353608 and 830753	194,425,006
Fidelity Government Obligation Bonds 1998A	775,870
Balance at Wilmington Trust, DELGIP, account number 830755	2,931
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758	75,146,766
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	2,068,958
Balance at Wilmington Trust, Morgan Greenfield Intermediate, account number 830759	378,649,214
Balance at Bank of America, Labor Lockbox	456,380
Balance at Bank of America, Credit Cards, account number 00446706-4630	(200)
Balance at PNC Bank, Concentration, account number 516000279	19,946,410
Balance at PNC Bank, DMR Special Services, account number 56-94003988	240,737
US Bank – Bonds #107954000	<u>306,388</u>
Subtotal	<u>1,786,585,835</u>
Deductions:	
Outstanding zero-balance accounts (ZBAs) – outstanding checks	59,539,613
Payable for bank errors	2,175
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	<u>48,480</u>
Subtotal	<u>59,600,337</u>
Balance per State Treasurer's books, adjusted, September 30, 2011	<u>\$ 1,881,080,655</u>

See accompanying independent accountants' report on applying agreed-upon procedures.

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

General Account Cash Reconciliation

December 31, 2011

Balance per Citizens Bank	\$	2,507,627
Balance per Mellon Bank		35,778,002
		<u>38,285,629</u>
Bank balance at December 31, 2011		<u>38,285,629</u>
Additions:		
Investments managed by Morgan Bank, account number 830752		304,838,324
Investments managed by Wilmington Trust, account number 830754		411,926,195
Investments managed by Wachovia Bank, account number 830751		311,241,610
Receivables from various sources		158,720
Deposits in transit		102,556
Balance at Bank of New York Mellon, account number 353608 and 830753		195,299,573
Fidelity Government Obligation Bonds 1998A		205,969,300
Balance at Wilmington Trust, DELGIP, account number 830755		2,931
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758		75,682,372
Balance at Bank of America and JP Morgan Chase, Division of Corp. State Lockbox		360,745
Balance at Wilmington Trust, Morgan Greenfield Intermediate, account number 830759		705,760,856
Balance at Bank of America, Labor Lockbox		7,824
Balance at PNC Bank, Concentration, account number 516000279		9,971,649
Balance at PNC Bank, DMR Special Services, account number 56-94003988		247,309
US Bank – Bonds #107954000		383,093
		<u>2,221,953,057</u>
Deductions:		
Outstanding ZBAs – outstanding checks		47,945,269
Payable for bank errors		2,180
Payable to PNC Bank miscellaneous adjustments		58,549
		<u>48,005,998</u>
Subtotal		<u>48,005,998</u>
Balance per State Treasurer's books, adjusted, December 31, 2011	\$	<u><u>2,212,232,688</u></u>

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BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Quarter ended September 30, 2011

Balance per State Treasurer's books, July 1, 2011	\$ 2,202,370,346
Additions:	
Deposits to cash receipts journal	1,519,590,857
Transportation trust fund deposits	98,437,500
Receivables for bank errors	2,076
Receivables for CM Forgery Credits	702
Outstanding cash receipts	47,158,169
Division of Mental Retardation transfer	236,942
Outstanding checks – prior months	<u>156,204,498</u>
Subtotal	<u>1,821,630,744</u>
Deductions:	
Deposits to cash receipts journal – prior months	2,674,998
Transfer for principal and interest on bonds	97,305,000
Transfer from Mellon Bank for payroll and pension direct deposit	439,597,940
Transfer from Mellon Bank to Mercantile Bank for pensions	54,831,609
Transfer from Mellon – Child Support	794,121
Transfer from Mellon – Aetna Healthcare	7,798,503
Transfer from Mellon – TTF	18,977,714
Transfer from Mellon – Losco & Marconi	800,000
Transfer from Mellon – Nuernbergmesse Brazil	7,360
Transfer from Mellon – PNC Bank- DOL	1,732,971
Transfer from Mellon	11,270,000
Transfer from Mellon – Tunnell and Raysor	49,887
Transfer from Mellon – Jeffery Zhuang-China	9,377
Transfer from Mellon – Def Comp	10,667,166
Transfer from Mellon – TSA Plan	5,805,613
Transfer from Mellon – Saul Ewing LLP	211,793
Transfer from Mellon – IFTA	176
Transfer from Mellon – Wells Fargo	53,879
Transfer from Mellon – International Registration Plan	14,331
Transfer from Mellon – Medicaid	2,312,604
Transfer from Mellon Bank for SSI	247,009
Transfer from PNC Bank for bank fees, State Personnel Office	112
Transfer from PNC Bank for bonds	29,310,677
Transfer for federal income tax, FICA, and Medicare	130,646,867
ACH transfers	851,221,594
Transfer for cleared ZBAs	294,184,119
Transfer for outstanding ZBAs	<u>182,395,015</u>
Subtotal	<u>2,142,920,435</u>
Balance per State Treasurer's books, adjusted, September 30, 2011	<u><u>\$ 1,881,080,655</u></u>

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

Proof of Cash Reconciliation

Quarter ended December 31, 2011

Balance per State Treasurer’s books, October 1, 2011	\$ 1,881,080,655
Additions:	
Deposits to cash receipts journal	2,187,264,814
Transportation trust fund deposits	101,290,795
Receivables for bank errors	814
Receivables for CM Forgery Credits	1,683
Division of Mental Retardation transfer	6,572
Outstanding checks – prior months	194,320,456
Subtotal	<u>2,482,885,134</u>
Deductions:	
Outstanding cash receipts	28,755,633
Deposits to cash receipts journal – prior months	7,687,826
Transfer for principal and interest on bonds	3,984,000
Transfer from Mellon Bank for payroll and pension direct deposit	443,867,327
Transfer from Mellon Bank to Mercantile Bank for pensions	63,632,507
Transfer from Mellon – Aetna Healthcare	5,859,498
Transfer from Mellon – TTF	2,649,604
Transfer from Mellon – Wilmington Trust-Providence Creek	15,379
Transfer from Mellon – DSHS Petty Cash	262,211
Transfer from Mellon – Saul Ewing	161,436
Transfer from Mellon – Tunnell & Raysor	1,870,380
Transfer from Mellon	6,090
Transfer from Mellon – Jeffery Zhuang-China	5,968
Transfer from Mellon – Def Comp	8,631,107
Transfer from Mellon – TSA Plan	5,180,416
Transfer from Mellon – DE Child Support	266,870
Transfer from Mellon – IFTA	1,067
Transfer from Mellon – Medicaid	3,714,672
Transfer from Mellon – Wells Fargo – DCPA	80,819
Transfer from Mellon – SSI	224,006
Transfer from PNC Bank for bank fees, State Personnel Office	111
Transfer from PNC Bank for bonds	14,612,115
Transfer for federal income tax, FICA, and Medicare	116,314,006
Transfer for Child Support- Payroll Vendor	798,335
ACH transfers	940,568,334
Transfer for cleared ZBAs	319,857,272
Transfer for outstanding ZBAs	182,726,112
Subtotal	<u>2,151,733,101</u>
Balance per State Treasurer’s books, adjusted December 31, 2011	<u>\$ 2,212,232,688</u>

See accompanying independent accountants’ report on applying agreed-upon procedures.