

# OST BANK RECONCILIATIONS

AGREED-UPON PROCEDURES

Quarter Ended March 31, 2020



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**Working Hard to Protect YOUR Tax Dollars**

**Kathleen K. McGuinness, RPh, CFE**





**What Was Performed?** An Agreed Upon Procedure of the Office of the State Treasurer Bank Reconciliations for Quarter Ended March 31, 2020.

The Office of the State Treasurer's bank reconciliations team (Reconciliations and Transaction Management) reconciles the collections and disbursements recorded with the banks with what is recorded in the state's accounting system (First State Financials). The bank reconciliations team ensures that the total amounts are accurately recorded in both systems. Additionally, the team haphazardly<sup>1</sup> selected a sample of wire transfers to ensure they matched the bank statements and occurred within one business day.

**What was found?** All tested samples reconciled correctly.

**Why This Engagement?** This engagement was performed in accordance with 29 Del. C. §2906(b). The State Auditor reviews the bank reconciliations produced by the Office of the State Treasurer to ensure the reconciliations are accurately stated.

The Agreed Upon Procedures of the Office of the State Treasurer Bank Reconciliations for Quarter Ended March 31, 2020, can be found on our website: [click here](#).

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at [Kathleen.Mcguinness@delaware.gov](mailto:Kathleen.Mcguinness@delaware.gov)

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<sup>1</sup> Haphazard sampling is a sampling method in which the auditor does not intend to employ a systematic approach to selecting a sample.

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Abbreviations:

**OAOA**            Office of Auditor of Accounts  
**FSF**             First State Financials

***The mission of the Delaware Office of Auditor of Accounts***

The Delaware State Auditor serves Delawareans by ensuring accountability in the use of taxpayer dollars to identify fraud, waste and abuse through independent assessments of financial operations, performance management and statutory compliance of state government and to evaluate economy, efficiency and effectiveness.

For further information on this release please contact:

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**State of Delaware**  
**Office of Auditor of Accounts**  
**Kathleen K. McGuinness, RPh, CFE**  
**State Auditor**

Independent Accountants' Report  
on Applying Agreed-Upon Procedures

The Honorable Colleen C. Davis  
State Treasurer  
Office of the State Treasurer  
820 Silver Lake Boulevard, Suite 100  
Dover, Delaware 19904

We have performed the procedures enumerated below on the State of Delaware March 31, 2020 bank reconciliations prepared by the Office of the State Treasurer. The Office of the State Treasurer is responsible for the preparation of the State of Delaware March 31, 2020 bank reconciliations.

The Office of the State Treasurer has agreed to and acknowledged that the procedures performed are appropriate and meet the intended purpose of Title 29 of the Delaware Code, Chapter 29 Section 2906(b). Additionally, the Office of the State Treasurer has agreed to and acknowledged that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purposes. 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:

**Procedure 1:** Compare the list of accounts generated from the First State Financials (FSF) *Activity by Balance Sheet Account* (DGL046) to the bank accounts reconciled by the Office of the State Treasurer and accounts included as part of the March 31, 2020 cash balance in FSF cash accounts. Report any discrepancies.

**Results:** The Office of Auditor of Accounts (OAOA) compared the list of accounts generated from FSF's *Activity by Balance Sheet Account* report to the bank accounts reconciled by the Office of the State Treasurer as of March 31, 2020. No discrepancies were noted.

**Procedure 2:** For the bank accounts reconciled by the Office of the State Treasurer, inspect the following:

- a. The March 31, 2020 bank reconciliations prepared by the Office of the State Treasurer;

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**Main Office: 302-739-4241**

- b. The March 31, 2020 general ledger from the Office of the State Treasurer; and
- c. Compare each bank balance to bank statements and agree each book balance to the FSF summary trial balance report.

**Results:** OAOA obtained the March 31, 2020 bank reconciliations and general ledger from the Office of the State Treasurer. OAOA agreed the bank balances on the March 31, 2020 bank reconciliations to the bank statements without exception. OAOA agreed each book balance on the March 31, 2020 bank reconciliations to the FSF summary trial balance report without exception.

**Procedure 3:** Perform the following procedures:

- a. For the March 31, 2020 quarter reconciliation, inquire about significant reconciling items older than 30 days and greater than 0.0015 times the total amount of the general ledger, including the subsequent clearing of these reconciling items in the following months, when applicable;

**Results:** OAOA inquired regarding the reconciling items older than 30 days and over the 0.0015 threshold (\$4,325,485.60). The Office of the State Treasurer provided supporting documentation that the reconciling items older than 30 days and over the 0.0015 threshold cleared in the subsequent period or were otherwise adequately supported.

- b. Mathematically check the bank reconciliations;

**Results:** OAOA mathematically checked the bank reconciliations without exception.

- c. Compare the cash balance per book listed in the reconciliation to the respective general ledger account balance and report the reconciliation.

**Results:** The following chart compares the cash balances in the reconciliation to the respective general ledger balances as of March 31, 2020 (rounded to nearest dollar):

Bank	Number of Accounts	Bank Balance	Net Outstanding Items	Reconciled Balance	General Ledger Balance
Citizens	1	\$ 704,256	\$ (1,388,143)	\$ (683,887)	\$ (683,887)
Fidelity Investments	4	200,609,786	(149,134)	200,460,652	200,460,652
JPMorgan Chase	1	535,262	-	535,262	535,262
US Bank	1	1,114,548	-	1,114,548	1,114,548
BNY Mellon	8	94,852,849	(10,439,583)	84,413,266	84,413,266
Northern Trust	11	2,677,638,102	(8,096,110)	2,669,541,992	2,669,541,992
PNC Bank	16	5,070,155	(79,635,916)	(74,565,761)	(74,565,761)
Bank of America	1	2,840,999	-	2,840,999	2,840,999
<b>Total</b>	<b>43</b>	<b>\$ 2,983,365,957</b>	<b>\$ (99,708,886)</b>	<b>\$ 2,883,657,071</b>	<b>\$ 2,883,657,071</b>

- d. Agree the March 31, 2020 cash balance to the Department of Finance's monthly Financial Report submitted to the Governor by the Secretary of Finance;

**Results:** OAOA agreed the March 31, 2020 cash balance to the Department of Finance's monthly financial report submitted to the Governor by the Secretary of Finance without exception.

- e. Inquire about the Office of the State Treasurer's bank reconciliation policies and procedures in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its quarterly reconciliation; report any departure from those policies and procedures;

**Results:** OAOA inquired about the Office of the State Treasurer's bank reconciliations policies and procedures. The Office of the State Treasurer indicated the policies and procedures have remained unchanged from the previous year and there were no departures from those policies and procedures.

- f. Inquire about the Wire Transfer Log for each quarter, and perform the following:

- a. Agree the transfer activity selected to the appropriate posting in the accounts on the *Activity by Balance Sheet Account* (DGL046). Report any discrepancies.

**Results:** OAOA agreed selected transfer activity to the appropriate posting in the accounts on the *Activity by Balance Sheet Account* without exception for the month ended March 31, 2020.

- b. Haphazardly<sup>1</sup> select five significant transfers (greater than 0.0015 times the total amount of the general ledger) from each quarter. Agree the transfer information to the applicable bank statements. Identify any transfer that did not occur within one business day.

**Results:** OAOA agreed transfer information for a haphazardly selected sample of five significant transfers to the applicable bank statements without exception. The five significant transfers selected by OAOA occurred within one business day.

- c. Agree the monthly posting of the zero balance and concentration account activity to the *Activity by Balance Sheet Account* (DGL046). Report any discrepancies.

**Results:** OAOA agreed the posting of the zero balance and concentration account activity to the *Activity by Balance Sheet Account* (DGL046) without exception for the month ended March 31, 2020.

- d. Haphazardly<sup>1</sup> select five significant transfers (greater than 0.0015 times the total amount of the general ledger) per quarter from the zero-bank balance accounts and agree the net activity to the corresponding clearing in the concentration bank account.

**Results:** OAOA haphazardly selected sample of five significant transfers and agreed the net activity between the zero-balance bank account, concentration bank account, and the General Ledger without exception.

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<sup>1</sup> Haphazard sampling is a sampling method in which the auditor does not intend to employ a systematic approach to select a sample.

We were engaged by the Office of the State Treasurer 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 and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 State of Delaware March 31, 2020 bank reconciliations. 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 Office of the State Treasurer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report, as required by statute, was provided to the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, and the Department of Finance. Under 29 Del. C., §10002(1), this report is a matter of public record and its distribution is not limited.



Kathleen K. McGuinness, RPh, CFE  
State Auditor

Dover, Delaware  
March 26, 2021