

OFFICE OF THE STATE TREASURER

BANK RECONCILIATION

AGREED-UPON PROCEDURES
QUARTER ENDED MARCH 31, 2021

Report Summary

Office of State Treasurer Bank Reconciliation Agreed-Upon Procedures Quarter Ended March 31, 2021



What Was Performed?

The Auditor of Accounts (OAOA) performed an Agreed-Upon Procedures engagement on bank reconciliations prepared by the Office of the State Treasurer (OST) for Quarter Ended March 31, 2021. OST's bank reconciliation team reconciles the collections and disbursements recorded with banks with what is recorded in the state's accounting system (First State Financials). The team ensures the total amounts are accurately recorded in both systems.

Why This Engagement?

The Auditor of Accounts is mandated to perform this engagement in accordance with 29 Del. C. §2906(b) to determine that the books and records maintained by the Office of the Secretary of Finance are kept in accordance with generally accepted accounting principles and are reconciled with the various bank accounts.

What Was Found?

The books and records maintained by the office of the Secretary of Treasury are kept in accordance with generally accepted accounting principles and are reconciled with the various bank accounts. In the performance of the agreed upon procedures, OAOA observed a total of \$7,320,215.92 of reconciling transactions in the 57 bank account balances (\$3,557,669.82 deposits and \$3,429,289.08 payments) that are carried on the reconciliation from prior fiscal years.

The Agreed Upon Procedures of the OST Bank Reconciliation for Quarter Ended March 31, 2021, can be found on our website [Click Here](#)

For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

Table of Contents

Independent Accountants' Report on Applying Agreed-Upon Procedures 1

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

Lydia E. York
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, 2021 bank reconciliation 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, 2021 bank reconciliation.

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). 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 57 accounts generated from the 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, 2021, cash balance in FSF cash accounts. Report any discrepancies.

Results: 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, 2021. No discrepancies were noted.

Procedure 2: For the 57 bank accounts reconciled by the Office of the State Treasurer, inspect the following:

- a. The March 31, 2021 bank reconciliation prepared by the Office of the State Treasurer;
- b. The general ledger for the quarter ended March 31, 2021, 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, 2021 bank reconciliation and general ledger for the quarter ended March 31, 2021, from the Office of the State Treasurer. OAOA agreed the bank balances on the March 31, 2021, bank reconciliation to the bank statements without exception. OAOA agreed each book balance on the March 31, 2021 bank reconciliation to the FSF summary trial balance report and noted no exceptions.

Procedure 3: Perform the following procedures:

- a. For the March 31, 2021, reconciliation, inquire about the 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 17 reconciling items older than 30 days and over 0.0015 times the total amount of the general ledger (\$5,476,209.77). During testing procedures, OAOA noted that in December 2020, The Office of the State Treasurer recorded a deposit of \$11,149,906.85 into a Mellon bank account in error within the First State Financials system that was reported on the JP Morgan bank statement. The Office of the State Treasurer carried this amount as a correction on the monthly bank reconciliation until June 2021, when the correcting journal entries were recorded by OST. During the testing, OAOA observed a total of \$7,320,215.92 of reconciling transactions in the 57 bank account balances (\$3,557,669.82 deposits and \$3,429,289.08 payments) from the previous fiscal years as of March 31, 2021.

- b. Mathematically check the bank reconciliation.

Results: OAOA mathematically checked the bank reconciliation 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, 2021 (rounded to nearest dollar):

Bank	Number of Accounts	Bank Balance	Net Outstanding Items	Reconciled Balance	General Ledger Balance
Citizens	1	\$ 1,995,172	\$ (2,162,964)	\$ (167,792)	\$ (167,792)
Fidelity Investments	7	\$ 15,175,093	\$ (328)	\$ 15,174,765	\$ 15,174,765
JPMorgan Chase	12	\$ 132,762,879	\$ (79,109,913)	\$ 53,652,966	\$ 53,652,966
US Bank	1	\$ 1,217,604		\$ 1,217,604	\$ 1,217,604
BNY Mellon	3	\$ 23,770,987	\$ 40,526,462	\$ 64,297,449	\$ 64,297,449
Northern Trust	16	\$ 3,583,406,716	\$ (2,852,598)	\$ 3,580,554,118	\$ 3,580,554,118
PNC Bank	16	\$ 7,700,722	\$ (73,061,219)	\$ (65,360,497)	\$ (65,360,497)
Bank of America	1	\$ 1,441,426	\$ (3,526)	\$ 1,437,900	\$ 1,437,900
Total	57	\$ 3,767,470,599	\$ 116,664,086	\$ 3,650,806,513	\$ 3,650,806,513

- d. Agree the March 31, 2021 cash balance to the Department of Finance's monthly Financial Report submitted to the Governor by the Secretary of Finance.

Results: OAOA compared the cash balance to the Department of Finance's monthly Financial Report submitted to the Governor by the Secretary of Finance without exception for the quarter ended March 31, 2021.

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

Results: OAOA inquired about the Office of the State Treasurer's bank reconciliation policies and procedures. The Office of the State Treasurer indicated the policies and procedures have remained unchanged from the previous year. OAOA noted no departure from the policies and procedures during the performance of the agreed-upon procedures engagement.

- f. Inquire about the Wire Transfer Log for quarter ended March 31, 2021, and perform the following:

1. 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 quarter ended March 31, 2021.

2. Haphazardly¹ select five significant transfers (greater than 0.0015 times the total amount of the general ledger) for quarter ended March 31, 2021. 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 statement without exception. The five significant transfers selected by OAOA occurred within one business day.

3. 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 zero balance and concentration account activity to the *Activity by Balance Sheet Account* (DGL046) except for the following discrepancies:

- \$9,689,152.56 of zero-balance transfers processed through the J.P. Morgan Chase bank accounts in February 2021 were recorded to the DGL046 in April 2021.
 - \$86,635,913 of zero-balance transfers processed through the J.P. Morgan Chase bank accounts in March 2021 were recorded to the DGL046 in April 2021.
4. Haphazardly select five significant transfers (greater than 0.0015 times the total amount of the general ledger) per quarter from the zero-balance bank accounts and agree the net activity to the corresponding clearing in the concentration bank account.

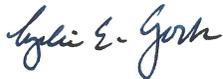
¹ Haphazard sampling is a sampling method in which the auditor does not intend to employ a systematic approach to select a sample.

Results: OAOA haphazardly selected a sample of five significant transfers from accounts held at PNC bank and two significant transfers from accounts held at J.P. Morgan Chase bank. Additional transactions were selected from the J.P. Morgan Chase bank accounts because this new banking relationship was established by the State during the quarter ended March 31, 2021. OAOA agreed the net activity between the zero-balance bank account, concentration bank accounts, and the General Ledger.

We were engaged by the Office of the State Treasurer to perform this Agreed-Up 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, 2021, bank reconciliation. 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 is intended solely for the information and use of the State of Delaware Office of the Auditor of Accounts, the Office of the State Treasurer, and the Department of Finance, and is not intended to be and should not be used by anyone other than the specified parties; however, under 29 Del.C. §10002, this report is public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General and Office of Management and Budget.



Lydia E. York
State Auditor

Dover, Delaware
03/30/2023