



OST

Bank Reconciliations Agreed-Upon Procedures

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Office of the State Treasurer
Bank Reconciliations
Quarter Ended December 31, 2020

What Was Performed? The Auditor of Accounts is mandated to arrange 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.

Why This Engagement? 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 December 31, 2020.

OST's bank reconciliations 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.

What Were the Results? The State Auditor reviews the bank reconciliations produced by OST to ensure the reconciliations are accurate. During the testing, OAOA observed a total of \$6,486,957.76 in transaction adjustments to the 56 bank account balances (\$3,071,452.21 credits and \$3,415,505.55 debits) from previous fiscal years that have not been reconciled as of December 31, 2020.

The Agreed Upon Procedures of the OST Bank Reconciliations for Quarter Ended December 31, 2020, can be found [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

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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 providing independent objective oversight of the state government's use of taxpayer dollars with the goal of deterring fraud, waste and abuse through unbiased assessments, including the use of various audits, special reports, and investigations of financial operations designed to ensure statutory compliance while enhancing governmental 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, CFE, RPh
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 December 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 December 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). 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 December 31, 2020, 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 December 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 December 31, 2020, bank reconciliations prepared by the Office of the State Treasurer;

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Main Office: 302-739-4241

- b. The general ledger for the quarter ended December 31, 2020, 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 December 31, 2020, bank reconciliations and general ledger for the quarter ended December 31, 2020, from the Office of the State Treasurer. OAOA agreed the bank balances on the December 31, 2020, bank reconciliations to the bank statements without exception. OAOA agreed each book balance on the December 31, 2020, bank reconciliation to the FSF summary trial balance report without exception.

Procedure 3: Perform the following procedures:

- a. For the December 31, 2020, quarter 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 the reconciling items older than 30 days and over 0.0015 times the total amount of the general ledger cash balance (\$5,045,492.48). The Office of the State Treasurer provided supporting documentation that showed that the reconciling items older than 30 days and over the 0.0015 threshold cleared in the subsequent period or were otherwise adequately supported. During the testing, OAOA observed a total of \$6,486,957.76 in transaction adjustments to the 56 bank account balances (\$3,071,452.21 credits and \$3,415,505.55 debits) from previous fiscal years that have not been reconciled as of December 31, 2020.

- 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 bank balances in the reconciliation to the respective general ledger balances as of December 31, 2020 (rounded to nearest dollar):

Bank	Number of Accounts	Bank Balance	Net Outstanding Items	Reconciled Balance	General Ledger Balance
Citizens	1	\$ 452,193	\$ 272,946	\$ 179,247	\$ 179,247
Fidelity Investments	7	\$ 15,174,718	\$ 279	\$ 15,174,439	\$ 15,174,439
JPMorgan Chase	10	\$ 58,343,848	\$ 281,581,607	\$ (223,237,759)	\$ (223,237,759)
US Bank	1	\$ 1,217,604	\$ 15,363	\$ 1,202,241	\$ 1,202,241
BNY Mellon	3	\$ 64,843,624	\$ 39,769,611	\$ 25,074,013	\$ 25,074,013
Northern Trust	16	\$ 3,635,534,143	\$ 5,388,703	\$ 3,630,145,440	\$ 3,630,145,440
PNC Bank	18	\$ 8,969,961	\$ 93,845,932	\$ (84,875,971)	\$ (84,875,971)
Total	56	\$ 3,784,536,091	\$ 420,874,441	\$ 3,363,661,650	\$ 3,363,661,650

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

Results: As of December 31, 2020, the State of Delaware's General Ledger reported a total cash balance of \$3,363.7 million. The Department of Finance's December 31, 2020, Financial Report reported a total cash balance of \$3,363.7 million. The reports agree without exception.

- 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 reconciliations policies and procedures. The Office of the State Treasurer provided procedures that were last updated August 2005, and indicated the policies and procedures have remained unchanged from the previous year. The Office of State Treasurer's bank reconciliation policies and procedure describe the processes used by the Office of State Treasurer staff to gather the necessary information and prepare the bank reconciliations.

- 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 quarter ended December 31, 2020.

- b. Haphazardly¹ 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 statement 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: Except as described below, OAOA agreed the posting of the zero balance and concentration account activity to the *Activity by Balance Sheet Account* (DGL046) without exception for the quarter ended December 31, 2020.

OAOA found a difference of \$556,912,091.04 between the zero balance and concentration account activity at one state bank and the *Activity by Balance Sheet Account* (DGL046.) OAOA found the zero balance and concentration account activity journal entry for the December 2020 activity was posted to the *Activity by Balance Sheet Account* (DGL046) in January 2021. OAOA found the related activity was reported as

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

reconciling items in the respective zero balance and contraction accounts on the December 31, 2020, bank reconciliation.

- d. 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.

Results: OAOA haphazardly selected a sample of five significant transfers and 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-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 December 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. During the performance of the agreed-upon procedures, we found the Office of the State Treasurer's bank reconciliation Policy and Procedures do not include a description of the internal controls over the bank reconciliation preparation. We recommend the Office of the State Treasurer review and update its bank reconciliation Policy and Procedures to document the internal controls that have been implemented to ensure the bank reconciliations are prepared in a timely and accurate manner.

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.

Kathleen K. McGuiness, CFE, RPh
State Auditor



Dover, Delaware
October 12, 2022