

**State of Delaware
Office of Auditor of Accounts**

Working Hard to Protect YOUR Tax Dollars

**Office of the State Treasurer
Bank Reconciliation
Agreed-Upon Procedures**

Quarter Ended June 30, 2021

**Lydia E. York
State Auditor**



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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.

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State of Delaware
Office of Auditor of Accounts

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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 June 30, 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 June 30, 2021, bank reconciliation.

The Office of the State Treasurer has agreed to and acknowledged that the procedures performed are appropriate to 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 purpose. 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* report (DGL046) to the bank accounts reconciled by the Office of the State Treasurer and accounts included as part of the June 30, 2021, cash balance in FSF cash accounts. Report any discrepancies.

Results: OAOA compared the list of 55 bank 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 June 30, 2021. No discrepancies were noted.

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

- a. The June 30, 2021 quarter bank reconciliation prepared by the Office of the State Treasurer;
- b. The June 30, 2021 quarter general ledger from the Office of the State Treasurer; and

- c. Compare each bank account's balance to the respective bank statement balance and compare each book balance to the respective balance on the FSF summary trial balance report.

Results: OAOA obtained the June 30, 2021 bank reconciliations and general ledger balances for the 55 bank accounts from the Office of the State Treasurer. OAOA agreed the bank balances on the June 30, 2021, bank reconciliation to the June 30, 2021 bank statements without exception. OAOA agreed each book balance on the June 30, 2021 bank reconciliations to the FSF summary trial balance report without exception.

Procedure 3: Perform the following procedures:

- a. For the June 30, 2021 reconciliation, inquire about any significant reconciling items older than 30 days and greater than 0.0015 times the total cash balance reported in the general ledger, including the subsequent clearing of these reconciling items in the following months, when applicable;

Results: OAOA inquired regarding three reconciling items older than 30 days and over the 0.0015 times the total amount of the general ledger threshold (\$8,073,884.92). 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. During the testing, OAOA observed a total of \$7,084,165.87 of reconciling transactions to the 55 bank accounts balances (\$3,614,194.23 deposits and \$3,469,971.64 payments) from the previous fiscal years as of June 30, 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 June 30, 2021 (rounded to nearest dollar)

| Bank | Number of Accounts | Bank Balance | Net Outstanding Items | Reconciled Balance | General Ledger Balance |
|----------------------|--------------------|----------------------|-----------------------|----------------------|-------------------------|
| Citizens | 1 | 3,431,428 | (5,629) | 3,437,057 | 3,437,057 |
| Fidelity Investments | 5 | 148,284,054 | 1,395 | 148,282,659 | 148,282,659 |
| JPMorgan Chase | 13 | 122,249,595 | 10,397,561 | 111,852,034 | 111,852,034 |
| US Bank | 1 | 1,234,161 | 16,557 | 1,217,604 | 1,217,604 |
| BNY Mellon | 2 | 112,140,867 | (25,181) | 112,166,048 | 112,166,048 |
| Northern Trust | 16 | 5,048,808,307 | (448,851) | 5,049,257,158 | 5,049,257,158 |
| PNC Bank | 16 | 5,028,242 | 49,365,501 | (44,337,259) | (44,337,259) |
| Bank of America | 1 | 714,644 | - | 714,644 | 714,644 |
| Total | 55 | 5,441,891,298 | 59,301,353 | 5,382,589,945 | \$ 5,382,589,945 |

- d. Agree the June 30, 2021 cash balance per book listed in the reconciliation to the Department of Finance's monthly Financial Report submitted to the Governor by the Secretary of Finance.

Results: As of June 30, 2021, the State of Delaware's General Ledger reported a total cash balance of \$5,382.6 million. The Department of Finance's June 30, 2021, Financial Report reported a total cash balance of \$5,382.6 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 reconciliation policies and procedures. The Office of the State Treasurer indicated the policies and procedures have remained unchanged from the previous year. No departures from those policies and procedures were noted.

- 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* report (DGL046). Report any discrepancies.

Results: OAOA agreed selected transfer activity to the appropriate posting in the accounts on the *Activity by Balance Sheet Account* report, without exception, for the month ended June 30, 2021.

- b. Haphazardly¹ select five significant transfers (greater than 0.0015 times the total amount of the general ledger cash balance) 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 (greater than 0.0015 times the total amount of the general ledger cash balance (\$8,073,885)) 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* report (DGL046). Report any discrepancies.

Results: OAOA agreed the posting of the zero balance and concentration account activity to the *Activity by Balance Sheet Account* report (DGL046.) ~~except for the following discrepancy:~~

- ~~• The \$56,509,723.76 May 2021 month end entry, relative to the PNC Concentration account, was recorded to the DGL046 in June 2021.~~

- d. Haphazardly select five significant transfers (greater than 0.0015 times the total amount of the general ledger cash balance) 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 (greater than 0.0015 times the total amount of the general ledger cash balance (\$8,073,885)) and agreed the net activity between the zero-balance bank account, concentration bank accounts, and the General Ledger.



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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 June 30, 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, as required by statute, was provided to the Office of 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, this report is a matter of public record, and its distribution is not limited.

Lydia E. York
State Auditor

Dover, Delaware
[Date]