



OFFICE OF THE STATE TREASURER BANK RECONCILIATIONS

AGREED-UPON PROCEDURES
FISCAL YEAR ENDED JUNE 30, 2024



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REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2024

BACKGROUND

The Auditor of Accounts (AOA) performed an Agreed-Upon Procedures engagement on bank reconciliations prepared by the Office of the State Treasurer (OST) for each quarter end of fiscal year (FY) 2024. 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. OST continues to work on their transition from Trintech to Frontier reconciliation software with an estimated completion date no later than June 30, 2027.

The OST Reconciliation and Transaction Management team was responsible for the reconciliation of Delaware's 35 cash and investment accounts in fiscal year 2024. As of June 30, 2024, the total balance of Delaware's Cash and Investment accounts was \$7,567,102,772.68.

AOA is authorized under 29 Del. C. §2906(b) to perform this engagement.

KEY INFORMATION AND FINDINGS

The books and records 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, AOA observed exceptions in five out of the nine agreed-upon procedures performed, including:

- **Account closures:** An account was closed without completion of a TR-1b form. (Procedure 1)
- **Activity by Balance Sheet (DGL046) Report Discrepancies:** AOA identified corrections and adjustments that were not performed timely (within 30 to 60 days post quarter end) by OST. (Procedure 2)
- **Zero Balance Accounts:** Differences in policies regarding transaction timeliness resulted in variations in reporting accuracy and reconciliation practices. (Procedure 7)
- **Policy and Procedures:** OST continues to use the policies and procedures last revised August 2005 which reflect outdated reconciliation processes, bank account information, and system information. (Procedures 8 and 9)

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Abbreviations:

AOA	Office of Auditor of Accounts
BAM	Delaware Budget and Accounting Manual
FSF	First State Financials
FY	Fiscal Year
OST	Office of the State Treasurer
TRA	Treasurer's Reconciliation to Accounting

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

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

The Office of Auditor of Accounts (AOA) has performed the procedures enumerated below on the quarterly State of Delaware bank reconciliation prepared by the Office of the State Treasurer (OST) for each quarter during the year ended June 30, 2024 (FY24). OST is responsible for the preparation of each State of Delaware quarterly bank reconciliation during FY24.

OST 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 items of interest to a user of this report and may not meet the needs of all users of this report. Users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are as follows:

Procedure 1: Request a list of opened and closed accounts for each quarter of FY24. Request and inspect the associated CM-001 Account Opening Form or TR-1b Account Closing Form for the aforementioned accounts and determine completeness of all forms. Next agree each account's initial and/or close-out transactions from the applicable bank statement to the transactions recorded to the respective General Ledger Cash Account Numbers/Program Codes in the State of Delaware's First State Financials Accounting System (FSF) report entitled "Activity by Balance Sheet Account" (DGL046).

Result 1: In FY24, the OST opened three new accounts and closed two accounts. AOA received three CM-001 opening forms for the new accounts opened. AOA did not receive one of the two TR-1b forms for the accounts closed in FY24. Management stated that a TR-1b form for closing accounts was not created for the bank accounts previously associated with the bond and investment accounts. Beginning in FY25, OST will implement a requirement that TR-1b forms be completed for these accounts to ensure consistency and alignment across all account types.

Procedure 2: Compare the General Ledger accounts listed prior to the cash account sub-totals page of the DGL046 to the General Ledger accounts that are reconciled by the OST in the "Reconciliation to Accounting" (TRA) for the applicable quarter under review.

Result 2: AOA compared the list of accounts generated from the DGL046 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 during FY24. AOA noted the following:

- **Quarters 1 and 2:** Two accounts that were closed in December and April of FY23 remained on the DGL046 with a balance. These balances were cleared in January of Q3 for FY24.

OST management stated that it plans to implement a requirement in FY25 that all outstanding book-side transactions must be cleared within 90 days.

Procedure 3: Agree the ending balance of each account from the bank/investment (bank) statements to the respective "bank balance" shown in the TRA for the applicable quarter end under review. Next, agree the "accounting total" (book balance) shown in the TRA at quarter end, to the ending balance of respective General Ledger accounts in the DGL046.

Result 3: AOA agreed the ending balance of each account from the bank/investment (bank) statements to the respective "bank balance" shown in the TRA for each quarter end of FY24 with no exceptions. AOA agreed the book balance shown in the TRA at each quarter end, to the ending balance of respective General Ledger accounts in the DGL046 with no exceptions.

Procedure 4: Compare the outflow transactions listed as reconciling items for the JPMC Concentration account in the TRA for the previous quarter ended, to those shown in the TRA for the quarter ended under review. Next, randomly select a sample of 10% of new reconciling items and vouch to the source documents maintained by the OST in accordance with Section 2.6 of the State of Delaware Budget and Accounting Policy Manual (BAM) and 29 Del. C. §6504. Next, trace the outflow transactions from the source documents to the applicable bank statements.

Result 4: AOA compared the outflow transactions listed in the TRA in the previous quarter end, to the quarter end under review and identified new reconciling items for the JPMC Concentration account. AOA noted the following:

- **Quarter 1:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.
- **Quarter 2:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.
- **Quarter 3:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.
- **Quarter 4:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.

Procedure 5: Compare the inflow transactions listed as reconciling items for the JPMC Concentration account in the TRA for the previous quarter ended, to those shown in the TRA for the quarter ended under review. Next, randomly select a sample of 10% of new reconciling items and vouch to their source documents maintained by the OST in accordance with Section 2.6 of the BAM and 29 Del. C. §6504. Next, trace the inflow transactions from the source documents to the applicable bank statements.

Result 5: AOA compared the inflow transactions listed in the TRA in the previous quarter end, to the quarter end under review and identified new reconciling items for the JPMC Concentration account. AOA noted the following:

- **Quarter 1:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.
- **Quarter 2:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.
- **Quarter 3:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.
- **Quarter 4:** 1 new reconciling item was tested. Item vouched to source document with no exception. Item was traced to bank statement with no exception.

Procedure 6: Inspect the bank statements of the state's concentration account with JPMorgan Chase Bank for each quarter under review and identify outstanding wire transfers at quarter end. Select a random sample of 10% of the identified population and agree transfer information from the applicable bank statements to the transactions recorded to the corresponding General Ledger accounts in the DGL046.

Result 6: AOA examined bank statements for the JPMorgan Chase Bank concentration account for the for the last month of the quarter and the first month of the subsequent quarter. AOA did not identify any outstanding wire transfers at quarter end to be tested.

Procedure 7: Identify all zero balance accounts (ZBAs) with JPMorgan Chase Bank with a balance at each quarter end. Randomly select five of the identified ZBAs and confirm that account activity for each quarter of FY24, as shown in the applicable bank statements, was recorded to the corresponding General Ledger accounts of the DGL046.

Result 7: AOA randomly selected the following accounts with JPMorgan Chase Bank: OUP Refunds Account (3520), Payroll Checking (3179), Vendor ACH Payments (7166), Merchant Services Deposit (790), and Pension Checking (2686). AOA confirmed that the ZBAs activity for each quarter of FY24, as shown in the applicable bank statements, were recorded to the corresponding General Ledger accounts of the DGL046. AOA noted the following exceptions:

OUP Refunds Account:

- **Quarter 1:**
 - Transfers from the State's 'OST Concentration Account to the State's 'OUP Refunds Account' with JPMC varied by \$6,451,840.05 for September 2023. Bank statements recorded \$8,655,735.16 for September 2023, but the DGL046 recorded the following two transfers: 9/1/23: \$6,490,935.66 (Posted: 9/28/23); 9/30/23: \$8,616,639.55 (Posted: 10/4/23).

Vendor ACH Payments Account:

- **Quarter 1:**
 - Transfers from the State's 'OST Concentration Account to the State's 'Vendor ACH Payments Account' with JPMC varied by \$476,130,185.95 for September 2023. Bank statements recorded \$437,044,704.62 for September 2023, but the DGL046 recorded the following two transfers: 9/1/23: \$476,174,959.95 (Posted: 9/28/23); 9/30/23: \$437,000,560.62 (Posted: 10/4/23).
- **All Quarters:**
 - Account variances related to ACH returns credited to the State's 'Vendor Payments ACH Account' that were not recorded in the same period to the corresponding General Ledger account of the DGL046 were observed at each quarter end of FY24. A total of \$16,752.60 in ACH payments to vendors were recorded to the DGL046 for FY24 but not returned to the State's ZBA as of June 30, 2024. OST has stated its process for FY25 to clear ACH returns by FY.

Merchant Services Deposit Account:

- **Quarter 1:**
 - Transfers from the State's 'Merchant Services Deposit Account' to the 'OST Concentration Account' with JPMC varied by \$2,970,014.54 for September 2023. Bank statements recorded \$43,666.15 of transfers out for September 2023. While the DGL046 accounts receivable total matched, the DGL046 recorded \$2,926,348.39 of transfers including a \$2,915,259.77 transfer dated 9/12/23 (Posted: 9/13/23) and a \$54,661.92 transfer dated 9/13/23 (Posted: 9/13/23). OST identified the variances as a processing error that was corrected as of September 2023.

AOA observed that the State adopts a strict policy, ensuring all transactions align precisely with the calendar month, while FSF provides a bit more flexibility by extending the cut-off into the following month. This difference leads to variations in reporting accuracy and reconciliation practices. OST manages expectations that transactions evident in ZBA balances are processed in FSF in the various general ledger accounts as timely as possible. AOA engaged with OST management regarding long-standing reconciling items, and OST is continuing to implement process enhancements to address and resolve the issue.

Procedure 8: Compare the methods, policies, and procedures used to generate the TRA to the basic internal control objectives as defined in Section 2.1.1 of the BAM for accuracy and integrity. Report any noncompliance with the BAM. Mathematically check all excel formulas and functions within the OST quarterly reconciliation for accuracy

Result 8: AOA compared the methods, policies, and procedures used to generate the OST quarterly TRAs to the basic internal control objectives as defined in the BAM. AOA mathematically checked all Excel formulas and functions within each OST quarterly reconciliation.

In reviewing the TRA spreadsheet controls for each quarter of FY 2024, AOA observed the following:

- **TRA Spreadsheet Change Control:** The TRA spreadsheets are stored on a shared drive that allows designated division team members to access and update the reconciliations. Management utilizes verbal communication as well as supervisory sign-offs to ensure that the TRA spreadsheets are completed accurately and timely.
- **Outdated Formula:** AOA observed a formula in a blank cell that did not apply to current information within the TRA. Management stated it was an old formula that was carried over from previous years and had not been deleted. This formula did not affect any other formulas or the accuracy of the TRA spreadsheet.
- **TRA Control Totals:** AOA observed several subtotals excluded associated cells that had a value of zero or were blank. If a value were added to one of the blank, or zero, cells, the subtotal formula would have to be manually manipulated for each entry to be calculated correctly. This limitation did not affect the accuracy of the TRA spreadsheet.

Procedure 9: Compare the OST's bank reconciliation policies and procedures to the BAM. Report any policies and procedures required by the BAM that have not been implemented by the OST.

Result 9: During the scope of this engagement, OST continued to use the policies and procedures last revised August 2005 which reflect outdated reconciliation processes, bank account information, and system information. These policies and procedures do not require documented authorization, review, or approval processes for the quarterly reconciliation or address spreadsheet controls. OST did provide AOA with an additional job-aid; however, it does not address management's responsibility for maintaining and communicating written policies and procedures as detailed in Delaware BAM to ensure that an effective system of internal control exists within the organization.

Management had previously stated during the AOA's FY23 AUP "The Office of the State Treasurer has been working diligently over the last two fiscal years on revising the OST reconciliation policies and procedures as they relate to revised software (Frontier) and updated processes.... It is the goal of the RTM team to ensure that all OST reconciliation policies and procedures are drafted, reviewed, and final approved no later than June 30, 2025".

OST did provide AOA with 'Procedures for Monthly TRA Reconciliation' that were created on 1/29/25 placing those outside of the scope of this engagement. AOA will evaluate these additional procedures in FY25.

Concluding Remarks

AOA was engaged by OST to perform this Agreed-Upon Procedures engagement. Our engagement was conducted 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. AOA was 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 each of the State of Delaware FY24 quarterly bank reconciliations. Accordingly, AOA does 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.

AOA is required to be independent of OST 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
November 20, 2025