



**STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-Upon Procedures

As of and for the Quarters ended March 31, 2012 and June 30, 2012

**STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
BANK RECONCILIATIONS**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of the State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of the State Treasurer as of and for the quarters ended March 31, 2012 and June 30, 2012. The Office of the State Treasurer's management is responsible for the State of Delaware's (State) bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Controller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the First State Financials (FSF) 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 11000, 11001, 11002, 11005, 11006, 11007, 11010, 11011, 11012, 11017, 11023, 11024, and 11025 and found them to be in agreement.
- Performed the following procedures regarding agency and department level reconciliations:
 - We discussed the reconciliation process with the Office of the State Treasurer, noting that the FSF *Activity by Balance Sheet Account* (DGL046) report used for the monthly Treasurer's to FSF reconciliation provides information by bank code only, not by agency/department level. Currently, there is not a system report that shows a breakout of the Office of the State Treasurer ending cash balance at the agency or department level. As a result, the Office of the State Treasurer completes the monthly Treasurer's to FSF reconciliation at the statewide level only (by bank code, as detailed on the DGL046). Detailed information is not available to complete a reconciliation at the agency/department level or to provide cash balances at the agency/department level at a specified point in time.
- Obtained the FSF *Statement of Available Funds* report (DGL049) as of March 31, 2012 and June 30, 2012 and performed the following procedures:



- Reviewed the report's Statewide totals page to determine the aggregate holding account balance for the State at the end of each quarter (total Available funds reported for ASF_HOLD Type 30).
- Compared the total aggregate holding account balance for the State at the end of each quarter to the ending STO cash at quarter's end to ensure that the cash balance was sufficient to cover the balances in these accounts. No exceptions were noted.

	<u>STO cash ending balance</u>	<u>Statewide holding account balance</u>	<u>Variance</u>
Quarter ended March 31, 2012	\$ 2,241,517,603	1,034,154,110	1,207,363,493
Quarter ended June 30, 2012	2,147,191,887	1,165,567,903	981,623,984

- Obtained the Office of the State Treasurer reconciliation of bank balances to FSF as of March 31, 2012 and June 30, 2012, and performed the following:
 - Agreed each bank balance to the actual bank statements, and also agreed each book balance to the FSF summary trial balance report. No exceptions were noted.
 - Obtained explanations and examined supporting documentation for reconciling items over \$4,203,000, including the subsequent clearing of these reconciling items in the following months. No exceptions were noted.
 - Recalculated the reconciliations for mathematical accuracy. No exceptions were noted.
 - Compared the types and amounts of reconciling items over \$4,203,000 for nonrecurring items. No items were noted that were both over \$4,203,000 and nonrecurring.
 - Agreed the cash balance reflected in the reconciliations to the Monthly Financial Report submitted by the Secretary of Finance to the Governor and members of the General Assembly. No exceptions were noted.
 - Obtained and reviewed the Office of the State Treasurer's bank reconciliation policies and procedures dated February 28, 2000, in order to determine if these policies and procedures were applied when the Office of the State Treasurer performed its March 31, 2012 and June 30, 2012 reconciliations. We noted that the 2000 policy document was still in effect for the reconciliation process to FSF; there were insignificant updates to the policy to reflect FSF report names and numbers. No deviations from this policy were noted during our review of the reconciliations.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected all transfers in excess of \$4,203,000 during the quarters ended March 31, 2012 and June 30, 2012 and agreed the transfer information to the applicable month's bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected above to the appropriate postings in the accounts on the FSF summary trial balance report. No exceptions were noted.
 - Haphazardly selected the following five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank



account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the FSF summary trial balance report. No exceptions were noted.

	<u>Wire date</u>	<u>Amount</u>
Quarter ended March 31, 2012:	01/19/12	\$ 9,090,448
	01/31/12	136,539,911
	02/15/12	9,329,577
	03/01/12	40,100,000
	03/31/12	223,411,122

	<u>Wire date</u>	<u>Amount</u>
Quarter ended June 30, 2012:	04/16/12	\$ 8,501,452
	05/24/12	29,100,000
	05/16/12	6,891,075
	06/26/12	22,500,000
	06/29/12	257,416,797

- Obtained the Office of the State Treasurer’s General Account Reconciliation as of March 31, 2012 and June 30, 2012, summarized each quarter’s reconciliations into the form of Exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in Exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of the State Treasurer, summarized the quarterly activity and obtained the “Proof of Cash Reconciliation” in the form of Exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month’s ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



This report is intended solely for the information and use of the Office of the State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

October 16, 2012

STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
BANK RECONCILIATIONS

General Account Cash Reconciliation

March 31, 2012

Balance per Citizens Bank	\$	4,405,813
Balance per Mellon Bank		92,448,260
		<u>96,854,073</u>
Bank balance at March 31, 2012		<u>96,854,073</u>
Additions:		
Investments managed by Morgan Bank, account number 830752		282,099,816
Investments managed by Wilmington Trust, account number 830754		290,785,833
Investments managed by Wachovia Bank, account number 830751		290,633,087
Receivables from various sources		120,523
Deposits in transit		(163,525)
Balance at Bank of New York Mellon, account number 353608 and 830753		175,350,781
Fidelity Government Obligation Bonds 2011A		181,474,133
Balance at Wilmington Trust, DELGIP, account number 830755		2,931
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758		75,883,291
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374		2,820,290
Balance at Wilmington Trust, Morgan Greenfield Intermediate, account number 830759		787,918,807
Balance at Bank of America, Labor Lockbox		163,378
Balance at Bank of America, Credit Cards, account number 00446706-4630		—
Balance at PNC Bank, Concentration, account number 516000279		9,768,366
Balance at PNC Bank, DMR Special Services, account number 56-94003988		246,618
US Bank – Bonds #107954000		383,093
Subtotal		<u>2,097,487,422</u>
Deductions:		
Outstanding zero-balance accounts (ZBAs) – outstanding checks		47,088,879
Payable for bank errors		2,180
Payable to Mellon 07/98		10,069
Payable to PNC Bank miscellaneous adjustments		48,480
Subtotal		<u>47,149,608</u>
Balance per State Treasurer's books, adjusted, March 31, 2012	\$	<u><u>2,147,191,887</u></u>

See accompanying independent accountants' report on applying agreed-upon procedures.

**STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
BANK RECONCILIATIONS**

General Account Cash Reconciliation

June 30, 2012

Balance per Citizens Bank	\$	3,629,001
Balance per Mellon Bank		188,283,594
		<u>191,912,595</u>
Additions:		
Investments managed by Morgan Bank, account number 830752		282,638,904
Investments managed by Wilmington Trust, account number 830754		342,626,760
Investments managed by Wachovia Bank, account number 830751		290,743,355
Receivables from various sources		128,116
Deposits in transit		(163,525)
Balance at Bank of New York Mellon, account number 353608 and 830753		175,650,444
Fidelity Government Obligation Bonds 2011A		120,877,946
Balance at Wilmington Trust, DELGIP, account number 830755		2,931
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758		76,407,123
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374		515,105
Balance at Wilmington Trust, Morgan Greenfield Intermediate, account number 830759		791,188,162
Balance at Bank of America, Labor Lockbox		1,839,546
Balance at Bank of America, Credit Cards, account number 00446706-4630		(5)
Balance at PNC Bank, Concentration, account number 516000279		10,015,053
Balance at PNC Bank, DMR Special Services, account number 56-94003988		239,525
US Bank – Bonds #107954000		388,299
		<u>2,093,097,739</u>
Deductions:		
Outstanding zero-balance accounts (ZBAs) – outstanding checks		43,431,987
Payable for bank errors		2,195
Payable to Mellon 07/98		10,069
Payable to PNC Bank miscellaneous adjustments		48,480
		<u>43,492,731</u>
		<u>43,492,731</u>
Balance per State Treasurer’s books, adjusted, June 30, 2012	\$	<u>2,241,517,603</u>

See accompanying independent accountants’ report on applying agreed-upon procedures.

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BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended March 31, 2012

Balance per State Treasurer's books, January 1, 2012	\$ 2,212,232,688
Additions:	
Deposits to cash receipts journal	1,964,032,488
Transportation trust fund deposits	101,882,674
Receivables for bank errors	1,219
Receivables for CM Forgery Credits	3,214
Outstanding cash receipts	9,845,193
Division of Mental Retardation transfer	(692)
Outstanding checks – prior months	<u>204,621,009</u>
Subtotal	<u>2,280,385,105</u>
Deductions:	
Deposits to cash receipts journal – prior months	4,884,368
Transfer for principal and interest on bonds	151,795,000
Transfer from Mellon Bank for payroll and pension direct deposit	403,685,884
Transfer from Mellon Bank to Mercantile Bank for pensions	49,879,706
Transfer from Mellon – Wells Fargo-DCPA	65,132
Transfer from Mellon – Aetna Healthcare	7,091,761
Transfer from Mellon – TTF	4,916,371
Transfer from Mellon – Wilmington Trust-Providence Creek	5,000
Transfer from Mellon – Manufacturers Traders-DEDO	5,739
Transfer from Mellon – Jeffery Zhuang-China	2,981
Transfer from Mellon – Def Comp	8,258,211
Transfer from Mellon – TSA Plan	4,552,631
Transfer from Mellon – Saul Ewing LLP	102,708
Transfer from Mellon – IFTA	2,642
Transfer from Mellon – ITC South and East Dep Acct-DEDO	200,000
Transfer from Mellon – Medicaid	3,764,816
Transfer from Mellon Bank for SSI	264,000
Transfer from Mellon – De Dept of Labor	12,000,000
Transfer from PNC Bank for bank fees, State Personnel Office	153
Transfer from PNC Bank for bonds	27,327,664
Transfer for federal income tax, FICA, and Medicare	126,936,033
Transfer for Child Support-Payroll Vendor	817,361
ACH transfers	974,540,354
Transfer for cleared ZBAs	360,562,773
Transfer for outstanding ZBAs	<u>203,764,618</u>
Subtotal	<u>2,345,425,906</u>
Balance per State Treasurer's books, adjusted, March 31, 2012	<u>\$ 2,147,191,887</u>

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**STATE OF DELAWARE
OFFICE OF THE STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended June 30, 2012

Balance per State Treasurer's books, April 1, 2012	\$ 2,147,191,887
Additions:	
Deposits to cash receipts journal	2,113,897,443
Transportation trust fund deposits	158,700,105
Receivables for bank errors	310
Receivables for CM Forgery Credits	158,429
Outstanding cash receipts	(5,873,560)
Division of Mental Retardation transfer	(7,093)
Outstanding checks – prior months	226,080,104
	<u>2,492,955,738</u>
Subtotal	<u>2,492,955,738</u>
Deductions:	
Deposits to cash receipts journal – prior months	6,757,474
Transfer for principal and interest on bonds	13,925,000
Transfer from Mellon Bank for payroll and pension direct deposit	454,302,293
Transfer from Mellon Bank to Mercantile Bank for pensions	67,203,664
Transfer from Mellon – Wilmington Trust-Providence Creek	138,981
Transfer from Mellon – Aetna Healthcare	6,506,201
Transfer from Mellon – TTF	1,761,039
Transfer from Mellon – China-DOS/DTCC	138,391
Transfer from Mellon – Serbia-DOR	75,725
Transfer from Mellon – Tunnell & Raysor	2,689,002
Transfer from Mellon – Saul Ewing	228,351
Transfer from Mellon – Def Comp	9,184,218
Transfer from Mellon – TSA Plan	5,459,900
Transfer from Mellon – IFTA	420
Transfer from Mellon – East Side Charter	3,000
Transfer from Mellon – Medicaid	3,829,570
Transfer from Mellon – Supercard	6,847,885
Transfer from Mellon – Wells Fargo – De College Prep	84,570
Transfer from Mellon – SSI	263,002
Transfer from PNC Bank for bank fees, State Personnel Office	242
Transfer from PNC Bank for bonds	14,562,090
Transfer for federal income tax, FICA, and Medicare	115,197,877
Transfer for Child Support-Payroll Vendor	952,305
ACH transfers	1,028,375,668
Transfer for cleared ZBAs	437,719,943
Transfer for outstanding ZBAs	222,423,211
	<u>2,398,630,022</u>
Subtotal	<u>2,398,630,022</u>
Balance per State Treasurer's books, adjusted June 30, 2012	<u>\$ 2,241,517,603</u>

See accompanying independent accountants' report on applying agreed-upon procedures.