

OHIO AUDITOR OF STATE KEITH FABER



From: Auditor of State's Center for Audit Excellence

To: All IPA Firms

Subject: Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS)

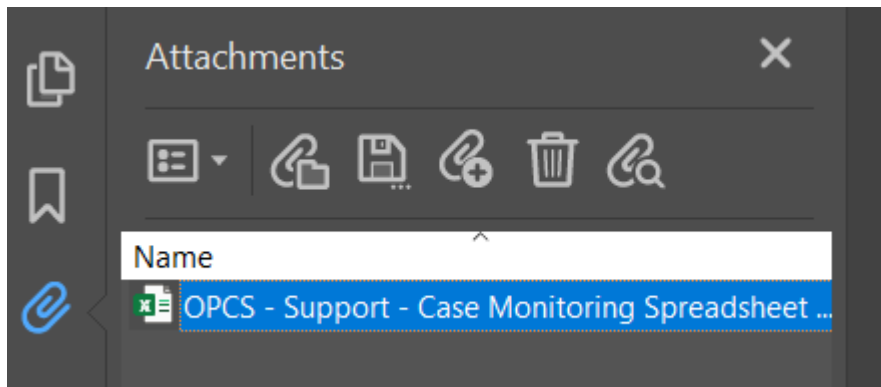
Date: August 25, 2023

Below is the guidance we sent to AOS auditors relating to the bi-annual memo over the Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS). IPAs should determine the audit implications for their specific audits.

The memo for the period of January 1, 2023 through June 30, 2023 is now available (attached). Auditors should review and include this in the working papers for audits where the auditee had significant deposits with financial institutions enrolled in the Ohio Pooled Collateral System (OPCS) during this time period.

There are no identified errors.

Also, please note, there is an attachment included you can see if you expand the navigation pane.



Questions related to the Ohio Pooled Collateral System can be directed to Vance Pulley at VRPulley@ohioauditor.gov.

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MEMORANDUM

TO: Bob Hinkle, Chief Deputy Auditor
FROM: Jacquie McKee, Chief Auditor, State Region
DATE: August 23, 2023
RE: Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS)

As requested by senior management, the State Region performed audit procedures over OPCS for the period of January 1, 2023 through June 30, 2023. The procedures and results of the work performed are summarized below:

1. **Control Procedures:** We completed a systems narrative and control procedures were tested over applications approvals, reduced collateral bank monitoring, collateral position, collateral compliance, account reconciliation, and Public Unit (PU) case monitoring. The manual controls were tested (for implementation) by the TOS financial auditors and the automated controls were tested by our DITA group (general and application controls).

Control testing over reduced collateral (SCALE) was not completed for the period January 1 through June 30. There were no new financial institutions applications for reduced collateral (SCALE) received during this period. Therefore, we only ensured the process was adequate as part of updating the systems narrative.

Control testing over the PU Attestation was not completed for the period of January 1 through June 30. The PU Attestation occurs annually in September; therefore, control testing was completed for the period of July 1 through December 31 over the TOS' monitoring procedures regarding open cases from the PU Attestation completed in September 2022. We have attached a current case management spreadsheet for consideration at the PU level.

2. **Substantive Procedures:**
Note: Procedures were performed over the collateral only. Testing does not provide any assurances over the deposit balances which should be completed at the PU level.
 - Collateral – As of June 30, 2023, there were 58 financial institutions enrolled in OPCS (Note: The population remained unchanged from July 1 through December 31 due to one financial institution being acquired by another who was already enrolled into OPCS and the addition of a new financial institution). We obtained the Pooled Collateral report, which included the collateral sufficiency analysis for the main pools of all 58 financial institutions in OPCS. We recalculated the collateral sufficiency for each of the 58 financial institutions.

- We selected a representative sample of 30 pledged securities out of 4,460 total pledged securities as of June 30, 2023 and tested to ensure:
 - (a) The collateral was appropriately priced.
 - (b) The securities pledged as collateral were eligible per ORC 135.182(E)

- Perfected Security Interest – Perfecting of the security interest is established as part of the application process. We reviewed the security agreement and financial application for one new application during our audit period ensuring that the security interest was perfected in accordance with Section 1823(E) of Title 12.

- Bank Monitoring - We tested one financial institution with a reduced collateral floor to ensure:
 - (a) The SCALE Composite and Component average score was 2.25 or less for the current and past five quarters per OAC 113-40-04(A)6
 - (b) The SCALE Report met all the required variables for the average of the preceding five quarters per OAC 113-40-04(A)6
 - (c) The financial institution was in good standing with government regulators with respect to their deposit business per OAC 113-40-04(A)6
 - (d) The financial institution's public deposits did not exceed 30% of its total assets per OAC 11-40-04(A)6

Conclusion:

No errors were noted during our control and substantive testing.

Attachment: PU Cash Management Spreadsheet (as of 6/26/2023)