

OHIO AUDITOR OF STATE KEITH FABER



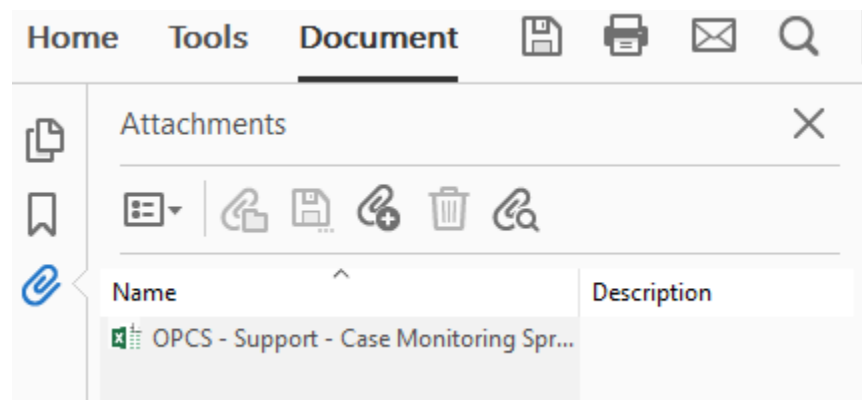
From: Auditor of State's Center for Audit Excellence
To: All IPA Firms
Subject: Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS)
Date: August 20, 2021

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, 2021 through June 30, 2021 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.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
StateRegion@ohioauditor.gov

MEMORANDUM

TO: Bob Hinkle, Chief Deputy Auditor
FROM: Debbie Liddil, Chief Auditor, State Region
DATE: August 16, 2021
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, 2021 through June 30, 2021. 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 bank monitoring, collateral compliance, collateral floor, collateral sufficiency, account reconciliation, Public Unit (PU) case monitoring, and reduced collateral (SCALE). 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 application approvals was not completed for the period of January 1 through June 30. There were no new Financial Intuitions (FI) applications received during this period.

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 2020. 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. Confirmation of the deposit balances should be completed at the PU level.
 - Collateral – As of June 30, 2021, 58 financial institutions (FI) were enrolled in OPCS. 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 FIs.
 - We selected a representative sample of 44 pledged securities out of 4,159 total pledged securities as of June 30, 2021 and tested to ensure:
 - (a) The collateral was appropriately priced.
 - (b) The securities pledged as collateral were eligible per ORC 135.182(E)
 - *Perfect Security Interest* – Perfecting of the security interest is established as part of the application process. Applications were not tested substantively for 6/30 as no new FIs applied during the period. Testing was performed for the 12/31 period without error.

- Bank Monitoring and SCALE testing - We tested two FIs with a reduced collateral floor to ensure:
 - a) The FI participated in OPCS for at least thirty days prior to implementing the reduced collateral floor per OAC 113-40-03(D).
 - b) All data elements of the SCALE checklist were completed prior to the approval of the reduced collateral floor.
 - c) The SCALE Composite and Component average score was 2.25 or less for the current quarter AND for the past five quarters per OAC 113-40-04(A)6.
 - d) The SCALE Report met all the required variables for the average of the preceding five quarters per OAC 113-40-04(A)6.
 - e) The FI is in good standing with government regulators with respect to their deposit business per OAC 113-40-04(A)6.
 - f) The FI's public deposits do not exceed 30% of its total assets per OAC 113-40-04(A)6.

Conclusion:

No errors were noted.

Attachment: PU Case Management Spreadsheet (as of 6/30/2021)