



Dave Yost • Auditor of State



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Treasurer of State of Ohio
30 East Broad Street, 9th Floor
Columbus, Ohio 43215

Ohio Revised Code (ORC) section 113.19 (A) states:

When the term of the treasurer of state or acting treasurer of state expires, or he resigns, is removed, or is suspended from office, an audit shall be made by the auditor of state of the state treasury and the custodial funds of the treasurer of state. The liability of the outgoing treasurer of state, acting treasurer of state, or their respective sureties, shall not be discharged until the audit is completed by the auditor of state.

Accordingly, we have performed the procedures enumerated below, with which the Treasurer of State agreed, solely to comply with Ohio Revised Code section 113.19 (A) regarding the state treasury and the custodial funds of the Treasurer of State as of January 9, 2011, the end of the outgoing Treasurer of State's term. We conducted this agreed-upon procedures engagement in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the Treasurer of State. 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.

1. CASH COUNT

We counted all cash, including petty cash, held by the Treasurer of State prior to the start of business on January 10, 2011. This count represented cash held as of the close of business on January 9, 2011. We reconciled this count to the Treasurer of State's Daily Ledger Report as of January 9, 2011, or the last preceding business day. We noted no variances in this reconciliation, except as indicated below.

Cash Drawer Number	AOS Count	TOS Daily Ledger Report	Variance
17	\$10,951.78	\$9,612.78	\$1,339.00
18	\$35,113.56	\$35,392.52	(\$278.96)
TOTAL			\$1,060.04

Treasurer officials stated the variances occurred due to timing differences caused by certain cash transactions occurring after noon on the last business day preceding January 9, 2011. These transactions would not be included in the ending balance on the Daily Ledger Report for this day since the Treasurer's Office operates on a noon to noon next day cut-off for cash transactions. We verified the activity for the afternoon was not included on the Daily Ledger Report.

We also confirmed the cash balances for the Treasurer of State's Active Deposit accounts with outside parties as of January 9, 2011, or the last preceding business day, and found no exceptions when compared to the Treasurer of State's internal general ledger system (Bank Mate).

1. CASH COUNT (Continued)

Official's Response

The office of the Treasurer of State disagrees with the variance noted above. The Auditor of State noted that the amount of cash present in drawers 17 and 18 did not match the Treasurer of State Daily Ledger Report for January 7, 2011. Both of these variances are attributable to and explained by the fact that the business day cutoff time for the Ohio Treasurer of State occurs at 12:00 PM (noon).

In calculating and noting this variance, the Auditor of State failed to apply methodology that conforms to the actual business practices of the Cashiers department at the office of the Treasurer of State. To obtain actual end of day balances in conformance with the standards applied by the Auditor of State, the Cashiers department would have had to alter and depart from normal departmental policies and procedures. The amount of cash present in these drawers would have matched the numbers recorded by the Auditor of State only if the Cashiers department closed for the remainder of January 7 at 12:00 PM. Alternatively, for the amount of cash present in these drawers to match the number counted by the Auditor of State, the auditor's staff should have performed its cash count of these drawers at the moment of the official business day cut off, which occurred at 12:00 PM on January 7.

Cash Drawer number 17 closed out the January 7, 2011 business day with \$9,612.78 in cash, which matches the January 7 daily ledger report. After 12:00 PM on January 7, 2011, two additional cash deposits in the amount of \$10 and \$1,329 were accepted and credited to the January 10, 2011 business day due to the 12:00 PM business day cut off. This action was taken pursuant to departmental policy and procedure, as all cash and checks presented to the cashiers after 12:00 PM are posted to the next business day. These two deposits totaled \$1,339, which matches the amount of the noted variance.

Cash Drawer number 18 closed out the January 7, 2011 business day with \$35,113.56 in cash, which matches the January 7 daily ledger report. After 12:00 PM on January 7, 2011 an additional cash deposit in the amount of \$25 was presented to the cashier working this drawer. Also, a check in the amount of \$311.96 was physically redeemed by the cashier working this drawer. Both transactions were applied to the January 10, 2011 business day due to the 12:00 PM business day cut off. These actions were performed in accordance with departmental policy and procedure, as all cash and checks presented to the cashiers after 12:00 PM are posted to the next business day. These two transactions totaled \$278.96, which matches the amount of the noted variance.

Auditor's Conclusion

Although the Treasurer of State's Office stated they disagree with the variances noted, they provided a detailed explanation of why the variances existed. Thus, we will not alter the results for this comment.

2. MISCELLANEOUS TRANSACTIONS

We identified the amount of "Miscellaneous Transactions" (primarily returned checks and warrants in transit) recorded on the Treasurer of State's Daily Ledger Report as of January 9, 2011, or the last preceding business day, and reconciled it to Treasurer of State's accounting records without exception.

3. CIGARETTE STAMPS

We counted the assigned value of all cigarette stamps held by the Treasurer of State prior to the start of business on January 10, 2011. This count represented cigarette stamps held as of January 9, 2011. We reconciled the count to the Treasurer of State's accounting records and found no exceptions.

4. SECURITIES HELD IN TRUST

We counted all securities held in trust by the Treasurer of State prior to the start of business on January 10, 2011. This count represented holdings of the Treasurer of State as of the close of business on January 9, 2011. We reconciled these amounts with the Treasurer of State's active inventory listing and found no exceptions.

5. STATE INVESTMENTS

We confirmed with outside parties all of the investments in the Interim Deposits accounts (both Structured and Regular Non-Special Purpose) as of January 9, 2011, or the last preceding business day. We compared the values of the individual investments confirmed to the Treasurer's related investment balances recorded on the internal tracking investment (QED) system. We then agreed the total of the individual investments from the QED system to the summary value on the Daily Ledger Report. We noted no variances, except as listed below.

Financial Institution	Partial Account Number(s)	Variance
<i>Money Market Accounts:</i>		
Goldman SACHS FIN SQ GOVT #465	47579	\$4,235.83
	47580	\$11.65
TOTAL		\$4,247.48

Based on reviewing various documents, we noted the variances were caused by timing differences resulting from when the TOS and the financial institution recognized and recorded interest accrued through the end of the reporting day.

We also confirmed with outside parties a haphazardly-selected sample (10 percent minimum of the number of all investments in each account type) of all the special-purpose investment types as of January 9, 2011, or the last preceding business day. We selected 132 of 1,318 Small Business Accounts, six of six Ag Link Accounts, 11 of 11 Bid Ohio Accounts, 17 of 168 Ag Link Fixed Accounts, 10 of 103 ECO Link Accounts, five of five SaveNOW Accounts, and one of one RENEW OHIO Accounts. We compared the values of the individual investments confirmed to the Treasurer's related investment balances recorded on the QED system. We then agreed the total of the individual investments from the QED system to the summary value on the Daily Ledger Report and agreed the values of the individual investments on the QED system to the confirmed amounts. Based on initial confirmations, variances existed in 69 of the individual investments. After we notified TOS management of the variances, they contacted the related confirming parties, some of which provided second confirmations to us. Based on reviewing various documents, we noted the initial variances were caused by several reasons, including rounding, change in the account number, and the financial institutions providing amounts for the incorrect account. The confirmed amounts agreed with the TOS amounts, except as listed below.

Financial Institution	Partial Account Number(s)	Variance
<i>Small Business Deposits:</i>		
Citizens Savings Bank	079099	(\$0.22)
First Merchants Bank, N.A.	00987	(\$0.01)
Home Savings Bank	42930	(\$0.31)
Huntington National Bank	94626	(\$0.03)
National Bank of Oak Harbor	31182	(\$0.04)

5. STATE INVESTMENTS (Continued)

Financial Institution	Partial Account Number(s)	Variance
Old Fort Banking Company	350	\$0.13
	375	\$0.01
Peoples National Bank	20896	\$(4,749.90)
Portage Community Bank	6359	\$9,385.81
	6387	(\$9,385.75)
	6759	\$1.54
St. Henry Bank	3027	(\$0.04)
Total Small Business Deposits:		(\$4,748.81)
<i>Eco-Link Deposits:</i>		
Cortland Savings and Banking Company	20191	\$30.62
Total Eco-Link Deposits		\$30.62
<i>Save Now Accounts</i>		
First National Bank of Bellevue	21417	\$3,593.92
	92621	\$3,004.30
CF Bank	37972	\$8,494.69
Wayne Savings Community Bank	81028	\$15,785.28
Total Save Now Accounts		\$30,878.19

We were not able to determine a cause for the remaining variances except for rounding, as noted above.

Official's Response

The office of the Treasurer of State was informed by the Auditor of State that Peoples National Bank supplied a confirmation that did not match the Treasurer of State's records. The Auditor of State also informed the office of the Treasurer of State that Portage Community Bank failed to respond to a second request from the auditor, after the first confirmation was returned with a balance that did not match the Treasurer of State's records. Consequently, the office of the Treasurer of State provided amortization reports signed by the bank to the Auditor of State to support the balances recorded by the Treasurer of State for the accounts at Peoples National Bank and two of the three outages listed for Portage Community Bank. However, since the amortization reports were prior to January 9, 2011, the auditor would not utilize the reports to validate the balances.

The variances noted above for the Ag-Link, Eco-Link, Save Now and Renew Ohio Accounts were caused by timing differences between when the office of the Treasurer of State and the respective financial institutions recognize and record interest accrued during the duration of the loan. The office of the Treasurer of State maintains its records using a modified cash basis accounting, while the banks utilize an accrual method. Consequently, the office of the Treasurer of State recognizes the accrued interest at maturity, while the banks recognize the interest at the time of accrual.

Auditor's Conclusion

We are not stating the balances maintained by the Treasurer of State's Office were incorrect, merely that they differed from those reported by the bank. Using documents in lieu of a confirmation returned directly from the bank was not part of the agreed-upon procedures we performed. Thus, we will not alter the results for this comment.

6. CUSTODIAL ACCOUNTS

We confirmed with outside parties the cash and investments balances as of January 9, 2011, or the last preceding business day, of all the custodial accounts and reconciled these amounts with the Treasurer of State's accounting records (internal tracking investment (QED) system) without exception.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the state treasury and the custodial funds of the Treasurer of State as of January 9, 2011. 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 Treasurer of State of Ohio and is not intended to be, and should not be, used by anyone else.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 22, 2011

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

TREASURER OF STATE

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2011**