

# OHIO AUDITOR OF STATE KEITH FABER



**From:** Auditor of State's Center for Audit Excellence  
**To:** All IPAs  
**Subject:** Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS)  
**Date:** March 26, 2019

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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) (referred to in Ch. 2-9 of the OCS). IPAs should determine the audit implications for their specific audits.

The memo for the period of July 1, 2018 through December 31, 2018 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 the noted time period.

Additionally, the state region, during their bi-annual testing of the OPCS, has compiled a narrative (attached) related to a new “attestation” control added to the system. The control asks local governments (aka public units) to attest to the bank data listed for a given time period. While this control adds some assurance, there are still risks and should continue to be tested by local auditors by matching comparing the data to bank confirmations. Additionally, the Treasurer of State has provided a listing of public units that have not positively attested. While the TOS may be using that as negative confirmation that there are not issues with the data, we should verbally communicate to those entities this requirement:

***Ohio Admin. Code 113-40-01 (17) States: "Operating policies" means the set of operational procedures, policies, and requirements for the use of OPCS, to be made available by the treasurer of state. All participation in OPCS and use of OPCS shall be subject to the operating policies, maintained at the sole discretion of the treasurer of state. The operating policies will be available at <https://opcs.ohio.gov/login#/registrationforms>.***

*Page 27 of those operating policies indicates: “PUs (Public Units or governments) are responsible for reviewing the reports posted on OPCS related to their deposits of public funds and for verifying the accuracy of the daily reports of their itemized deposits. PUs*

*must report any discrepancies on their deposit accounts to their FIs(Financial Institutions). PUs shall inform their FIs of a significant change in the amount or activity of its deposits within a reasonable time before the change occurs. FIs may notify the Treasurer's Office if a PU repeatedly fails to inform them of a significant change in the amount or activity in deposits.”*

In the attached file is a spreadsheet listing of those entities that have not positively attested (Negative Attestations tab and Cases tab). Auditors should examine this listing and make communications to the necessary individuals (as noted above). If there are data elements that are incorrect (i.e. email address, contact name, etc.), auditors should inform them to contact [support@opcs.ohio.gov](mailto:support@opcs.ohio.gov) to get the information updated in the OPCS and/or with their financial institution.

(Note: the TOS system was unable to provide additional information (such as county) to help sort these listings further. Please attempt to use the available information to the best you are able.)

Questions related to the Ohio Pooled Collateral System can be directed to Jesse Carroll at [JMCarroll@ohioauditor.gov](mailto:JMCarroll@ohioauditor.gov).

# OHIO AUDITOR OF STATE KEITH FABER



## MEMORANDUM

**TO:** Bob Hinkle, Chief Deputy Auditor  
**FROM:** Debbie Liddil, Chief Auditor, State Region  
**DATE:** March 25, 2019  
**RE:** Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS)

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As requested by senior management, the State Region performed audit procedures over OPCS for the period of July 1, 2018 through December 31, 2018 to support local audits. 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 reduced collateral bank monitoring, collateral position, collateral compliance, collateral sufficiency, Public Unit (PU) attestation monitoring, and PU case monitoring. There were no new FI applications for OPCS or reduced collateral (SCALE); therefore, we only ensured the process was adequate as part of documenting the systems narrative.

*Note: Automated controls were tested in relation to the RCEC and communicated as part of the June 30, 2018 memorandum.*

2. Substantive Procedures:

*Note: Procedures were performed over the collateral only. Confirmation of the deposit balances should be completed at the local level.*

- Collateral – As of December 31, 2018 55 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 55 financial institutions in OPCS. We recalculated the collateral sufficiency for each of the 55 FIs.
- We selected a sample of 25 pledged securities out of 3,074 total pledged securities as of December 31, 2018 (note: we selected each security from a different FI) and tested to ensure:
  - A. The collateral was appropriately priced.
  - B. The securities pledged as collateral were eligible per ORC 135.182(E)

3. Conclusion

No errors were identified during testing.

**OFFICE OF THE OHIO TREASURER OF STATE  
OHIO POOLED COLLATERAL SYSTEM**

**PUBLIC UNIT ATTESTATION PROCESS SUMMARY**

The Office of the Ohio Treasurer of State (TOS) implemented the annual public unit (PU) attestation procedure within the Ohio Pooled Collateral System (OPCS) on September 30<sup>th</sup>, 2018. The attestation served as a negative confirmation of the PU deposit balances within OPCS. This was an automated process and segregated into various scenarios based upon the contact information made available to TOS by the Financial Institution (FI). PU contact information is submitted to TOS via the FI demographic file sent to TOS as part of the OPCS daily process. Within scenarios 1 and 2 TOS had an e-mail address for the PU (1- PU had logged in, 2- PU had not logged in). In these scenarios, a notification was automatically pushed to the associated contacts indicating the PU needed to log into OPCS to attest to the deposit totals submitted by the FI. Scenario 3, there was no e-mail for the PU and a letter was mailed to the PU at the address provided. Scenario 4, there was no e-mail or address for the PU. For scenario 4, a case was generated, tracked, and worked within OPCS to obtain contact information from the FI to complete the attestation process with the PU.

For scenarios 1-3, the PU was given 60 days to attest to the deposit totals (reminders were sent by TOS during the attestation period). If TOS was notified as part of the attestation, the data was inaccurate a case was created and worked in conjunction with the FI. On November 30, 2018, TOS closed the attestation procedure within OPCS. Any PU that did not respond in OPCS or other prescribed method, was attested by the system in the form of a negative confirmation. *Note: if there was an unresolved case as previously described, the attestation for the PU remained open.* All PU attestations were reviewed and monitored within OPCS by various Trust Department staff to ensure the accuracy and completeness of the deposit balances submitted by the FI as evident by the completion of the attestation fields recorded on the PU Attestation Grid.

All cases as described above are tracked within the OPCS case management module. The disposition of the case as well as any required support documentation is uploaded directly into OPCS. The case remains open and maker/checker procedures are in place to assign, investigate, and close the case. Weekly, the Trust Operations Manager, reviews all attestation open cases, documents the disposition to ensure the completeness of the attestation process as evident by recording the follow-up procedures performed in order to close the case on the Case Management Tracking Spreadsheet.

**We sorted the PU Attestation Grid by positive and negative attestations and PUs with cases for consideration by the local auditors. See file inserted below.**