

# 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:** May 3, 2021

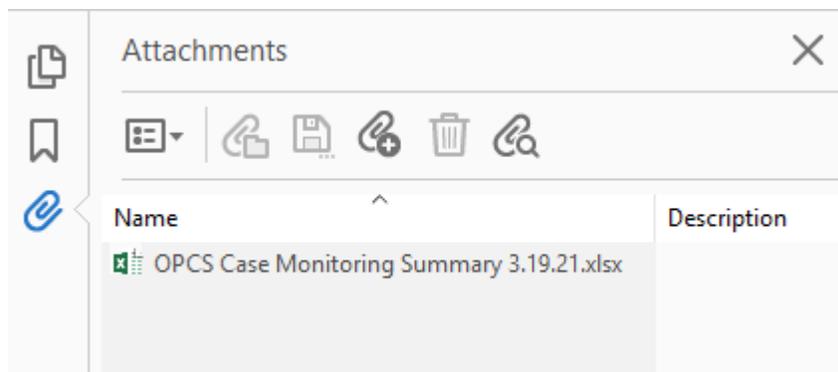
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Below is the guidance we sent to AOS auditors relating to the bi-annual memo over the Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS). IPAs should determine the audit implications for their specific audits.

The memo for the period of July 1, 2020 through December 31, 2020 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](mailto:VRPulley@ohioauditor.gov).

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## MEMORANDUM

**TO:** Bob Hinkle, Chief Deputy Auditor

**FROM:** Debbie Liddil, Chief Auditor, State Region

**DATE:** April 27, 2021

**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, 2020 through December 31, 2020. 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 application approvals, reduced collateral bank monitoring, collateral position, collateral compliance, collateral sufficiency, account reconciliation, Public Unit (PU) case monitoring, SCALE reports, and PU attestation monitoring. There were two new FI applications for reduced collateral (SCALE); however, they were not effective and live in the system. Therefore, we only tested the application controls and not the implementation of the reduced collateral floor. The manual controls were tested (for implementation) by the TOS financial auditors and the automated controls were tested by our ISA group (RCEC and application controls).

*Note: Automated controls were tested in relation to the RCEC and communicated as part of the June 30, 2020 memorandum.*

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 December 31, 2020, 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 58 pledged securities, and two individually important items, out of 3,634 total pledged securities as of December 31, 2020 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 the 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 a FI 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 FI was in good standing with government regulators with respect to their deposit business per OAC 113-40-04(A)6
  - (d) The FI's public deposits did not exceed 30% of its total assets per OAC 11-40-04(A)6

**Conclusion:**

No errors were noted.

Attachment: PU Case Management Spreadsheet (as of 3/19/2021)