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MEMORANDUM

TO: Bob Hinkle, Chief Deputy Auditor

FROM: Jacquie McKee, Chief Auditor, State Region

DATE: May 23, 2024

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 July 1, 2023 through December 31, 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 reduced collateral bank monitoring, collateral position, collateral compliance, collateral sufficiency, account reconciliation, Public Unit (PU) case monitoring, and PU attestation 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). *Note: The results of automated control testing will be communicated as part of the June 30th memorandum.*

Control testing over the application approval process and reduced collateral were not completed for the period of July 1 through December 31. There were no new financial institution applications and no new applications for reduced collateral received during this period. Therefore, we only ensured the processes were adequate through our documentation and review of the narrative.

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 December 31, 2023, 58 financial institutions 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 financial institutions.
 - We selected a representative sample of 30 pledged securities out of 4,344 total pledged securities, as of December 31, 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. Applications were not substantively tested for the period of July 1 through December 31. There were no new financial institutions who applied during this period.

- Bank Monitoring - We tested one financial institution with a reduced collateral floor to ensure:
 - (a) The FI has substantially complied with OPCS and Ohio Pooled Collateral Program (OPCP) guidelines and operating policies for the current quarter per OAC 113-40-03(C)(4) and (5).
 - (b) The FI has substantially complied with OPCS and OPCP guidelines and operating policies for the preceding four quarters per OAC 113-40-03(C)(4) and (5).
 - (c) The FI is in good standing with government regulators with respect to their deposit business per OAC 113-40-03(C)(2).
 - (d) The FI's public deposits did not exceed 30% of its total assets per OAC 113-40-03(C)(3).

Conclusion:

No errors were noted during our control and substantive testing.

Attachment: PU Case Management Spreadsheet (as of 4/01/2024)