

OHIO AUDITOR OF STATE KEITH FABER

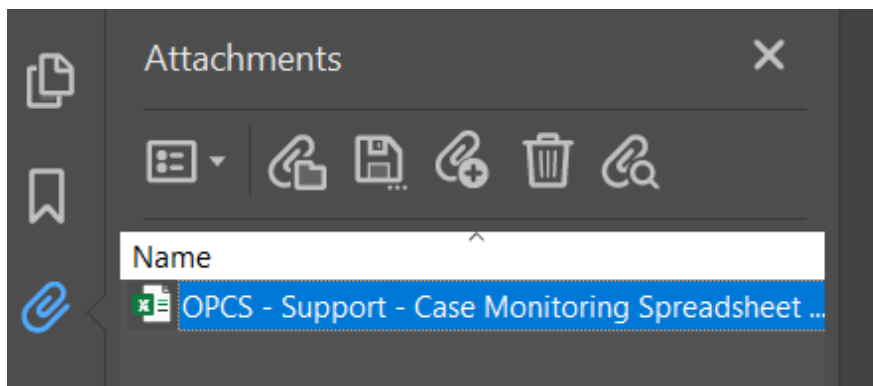


From: Auditor of State's Center for Audit Excellence
To: All IPAs
Subject: Office of the Ohio Treasurer of State (TOS) – Ohio Pooled Collateral System (OPCS)
Date: May 5, 2023

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 Ohio Pooled Collateral System (OPCS) memo for the period of July 1, 2022 through December 31, 2022 is now available (attached). Auditors should review and include this memo 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. There are no identified errors.

Also, please note, there is an attachment included which 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.

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MEMORANDUM

TO: Bob Hinkle, Chief Deputy Auditor

FROM: Debbie Liddil, Chief Auditor, State Region

DATE: May 3, 2023

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, 2022 through December 31, 2022. 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 (SCALE) 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 (SCALE) 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, 2022, 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 4,419 total pledged securities, as of December 31, 2022 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 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 Financial Institution was in good standing with government regulators with respect to their deposit business per OAC 113-40-04(A)6
 - (d) The Financial Institution's public deposits did not exceed 30% of its total assets per OAC 11-40-04(A)6

Conclusion:

No errors were noted during our control and substantive testing.

Attachment: PU Case Management Spreadsheet (as of 4/10/2023)