### LIEUTENANT GOVERNOR

#### 12-01-01

**MISSION**

To fulfill the constitutional duties of the office by effectively presiding over the State Senate, fairly and equitably chairing the Board of Pardons, assisting the Governor when asked and providing complete and efficient services to constituents.

**BACKGROUND AND ACCOMPLISHMENTS**

The constitutional duties of the Lieutenant Governor are President of the Senate and President of the Board of Pardons.

**FUNDING**

<table>
<thead>
<tr>
<th></th>
<th>FY 2014 ACTUAL</th>
<th>FY 2015 BUDGET</th>
<th>FY 2016 GOV. REC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>GF</td>
<td>162,271.0</td>
<td>170,797.0</td>
<td>173,874.5</td>
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<tr>
<td>ASF</td>
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**POSITIONS**

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<tr>
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<th>FY 2016 GOV. REC.</th>
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<td><strong>141.0</strong></td>
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</table>

**ACTIVITIES**

The duties and activities of the Lieutenant Governor and staff include the following:

- President, Delaware State Senate;
- President, Board of Pardons;
- Chair, Early Teacher Hiring Task Force;
- Chair, Interagency Council on Adult Literacy; and
- Chair, Individualized Education Plans Take Force.
As the independent auditors, the Office of Auditor of Accounts (AOA) is charged with responsibility for various audits of state and federal funds that include the State’s annual financial and federal single audits. AOA also helps to assure accountability of taxpayer dollars by ensuring high quality audits, investigations and inspections. In addition to identifying fraud, waste and abuse, AOA reviews government operations and programs for economy, efficiency and effectiveness.

**KEY OBJECTIVES**

- Issue timely reports that enhance public accountability and the stewardship of state and federal programs.
- Identify and reduce fraud, waste and abuse in organizations receiving state and federal funds.
- Ensure quality non-partisan audits and investigations that comport to professional standards.
- Ensure appropriate levels of audit coverage throughout the State including the State’s Comprehensive Annual Financial Report and the Office of Management and Budget A-133 Single Audit.
- Facilitate ongoing discussions and dialog regarding audit recommendations and risk mitigation relative to internal control weaknesses identified throughout state government.

**BACKGROUND AND ACCOMPLISHMENTS**

During Fiscal Year 2014, AOA initiated rapid response auditing by implementing the U.S. Office of Inspector General’s Inspection Standards.

**FUNDING**

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<tr>
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**PERFORMANCE MEASURES**

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<tr>
<th></th>
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<tbody>
<tr>
<td>% of AOA audit and non-criminal investigation reports issued within 45 business days of report date</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<tr>
<td>% of Certified Professional Education compliance</td>
<td>100</td>
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**POSITIONS**

<table>
<thead>
<tr>
<th></th>
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<th>FY 2016</th>
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<tr>
<td>TOTAL</td>
<td>27.0</td>
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</table>

**ACTIVITIES**

AOA’s professional staff maintains its highly credentialed status, holding 22 certifications for 13 professional positions. Over the past year, AOA staff continued to participate in professional committees and workgroups. The professional staff are members and hold positions in the:

- National Association of State Auditors, Comptrollers and Treasurers;
- National State Auditors Association (NSAA);
- NSAA Auditor Training, Human Resource and Peer Review Committees;
- Association of Government Accountants;
- Dover Chapter of Association of Government Accountants;
- Association of Certified Fraud Examiners;
- Information Systems Audit Control Association;
- National Audit Forum Strategic Planning Committee;
- Acting Executive Director, Vice Chair and Program Committee Chair of the Mid-Atlantic Intergovernmental Audit Forum;
- American Institute of Certified Public Accountants;
- Institute for Internal Control;
- Institute of Internal Auditors;
- Delaware League of Local Governments;
- Disaster Recovery Institute International;
- Government Finance Officers Association; and
- Association of Local Government Auditors.
INSURANCE COMMISSIONER  
12-03-00  

MISSION  
In accordance with Title 18 of the Delaware Code, the Insurance Commissioner of the State of Delaware will:  
- Investigate consumer complaints and inquiries and advocate for Delawareans;  
- Ensure Delaware companies are in good financial health;  
- Communicate timely and relevant insurance-related information to Delawareans;  
- Prosecute insurance fraud;  
- License agents and brokers;  
- Fund volunteer fire departments and other first responders;  
- Police the conduct of carriers, agents and brokers doing business in Delaware;  
- Save money for small businesses while increasing safety at work sites; and  
- Foster economic development in Delaware as more companies domicile here.  

KEY OBJECTIVES  
- Responding to consumer inquiries.  
- Increasing the information given to consumers on insurance topics through publications, online, public consumer altars and community outreach.  
- Meeting the needs of the next generation of insurance consumers by establishing an enhanced online presence with quarterly newsletters on the department’s website and on Facebook.  
- Requiring insurance companies to respond to inquiries made on behalf of Delaware consumers.  
- Introducing legislation designed to protect the health and welfare of Delawareans, ensure the solvency of Delaware companies and maintain Delaware’s advantage as a preferred domicile for insurance companies.  

BACKGROUND AND ACCOMPLISHMENTS  
With a continued focus on consumers, the Commissioner and the department achieved the following during Fiscal Year 2014:  
- Received accreditation from the National Association of Insurance Commissioners (NAIC) Financial Regulation Standards and Accreditation Committee, which requires state insurance departments to have adequate statutory and administrative authority to regulate and insures corporate and financial affairs, as well as the necessary resources to carry out that authority;  
- Received ranking of third largest Captive Bureau within the United States and 10th globally in written premiums;  
- Received recognition from the U.S. Department of Homeland Security as a result of liquidation and rehabilitation actions taken;  
- Worked with the Division of Motor Vehicles (DMV) and the Delaware General Assembly to pass legislation transferring the authority to regulate Delaware’s state-approved motor vehicle accident prevention (defensive driving) courses from the Insurance Commissioner to DMV;  
- Worked with the Delaware General Assembly to pass legislation increasing the premium tax on surplus lines from 2 percent to 3 percent to assist with the funding of medical coverage for retired state, county and municipal police officers and firefighters;  
- Worked with the Delaware General Assembly, the insurance industry, DMV and local law enforcement to pass legislation allowing for the insurance cards in an electronic format to be used as proof of insurance; and  
- Participated as an integral member in Delaware’s Workers’ Compensation Task Force, which was charged with an expedited review of Delaware law relating to workers’ compensation, and produced bi-partisan legislation that is expected to reduce workers’ compensation rates in the future.  

FUNDING  
<table>
<thead>
<tr>
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<th>FY 2016 GOV. REC.</th>
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POSITIONS  
<table>
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<th>FY 2015 BUDGET</th>
<th>FY 2016 GOV. REC.</th>
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</thead>
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<td>NSF</td>
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<tr>
<td>TOTAL</td>
<td>85.0</td>
<td>85.0</td>
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ACTIVITIES  
- Member, Delaware Health Care Commission.  
- Member, State Employee Benefits and Insurance Coverage committees.  
- Member, NAIC.
Regulatory Activities
12-03-01

Activities

Fraud Prevention Bureau

In Fiscal Year 2014, the Fraud Prevention Bureau investigated 495 cases of alleged insurance fraud. Approximately 82 percent of the cases were resolved by consent agreements or arrest, deemed to be unfounded or had dispositions that were suspended. Approximately $24,034 in civil penalties was assessed in substantiated fraud cases during Fiscal Year 2014 with a collection rate of approximately 83 percent.

The Fraud Prevention Bureau continues to work with entities such as the U.S. Department of Justice, the Delaware Department of Justice, the National Insurance Crime Bureau (NCIB) and the NAIC in a combined effort to reduce insurance fraud particularly within the healthcare industry.

Several current members of the Fraud Prevention Bureau hold certifications in professional associations such as the Association of Certified Fraud Specialists and Association of Accredited Health Care Fraud Investigators.

Fraud investigators also maintain the following activities:

- Member, Delaware Valley Chapter of International Association of Special Investigative Units;
- Member, NAIC Anti-Fraud Task Force;
- Member, NICB;
- Member, International Association of Special Investigation Units;
- Member, National Health Care Anti-Fraud Association;
- Member, U.S. Attorney General Healthcare Fraud Taskforce; and
- Special training on healthcare fraud detection and investigation and claims.

Bureau of Examination, Rehabilitation and Guaranty
12-03-02

Activities

Examinations/Financial Analysis

This section provides financial solvency oversight for the approximately 145 Delaware domesticated companies through quarterly financial analysis and the performance of financial examinations, as required by statute or as deemed necessary for the protection of Delaware policyholders. The department received re-accreditation from the NAIC in 2014 for five years and participates on numerous financial committees at the NAIC level.

The staff is also responsible for the ongoing licensing, registration and regulation of numerous insurance operating entities which include admitted insurers such as: property/casualty insurers, life/health insurers, domestic surplus lines companies, fraternal, health maintenance organizations, Medicare prescription drug plans, title insurers and insurance-related entities such as: accredited reinsurers, premium finance companies, risk retention groups, reinsurance intermediaries and third party administrators.

Market Conduct

This section is comprised of company market conduct, agency market conduct and market analysis, rates and forms, producer licensing and continuing education. This section conducts examinations of companies to ensure they are in compliance with the Delaware Insurance Code and Regulations with respect to rating, underwriting and claim handling practices. Exams are scheduled based on complaint activity, special requests or on a regular schedule.

This section exceeded goals set by the NAIC in respect to market analysis by completing 69 Market Analysis Level 1 reviews and six interrogatories during the fiscal year.

The Company Market Conduct unit is responsible for the oversight of Company Market Regulation activities.

Staff in the Market Conduct Oversight unit participate in committees and work groups of NAIC and represent the Commissioner on the Governor’s Health Reform Steering Committee.

Staff also maintain the following activities:

- Member, Interagency Coordinating Council;
- Fellow, Life Management Institute from the Life Office Management Association; and
- Designee, Market Conduct Management.

Agency Market Conduct

This section receives referrals from the public, as well as from the Consumer Services and Fraud Prevention Bureau sections, regarding alleged misconduct of insurance agents and agencies. It conducts examinations of agents and agencies to ensure they are in compliance with the Delaware Insurance Code and Regulations. The Agency Market Conduct section also reviews producer/adjuster applications regarding prior criminal or
civil actions. Some of these have resulted in fines being assessed.

Agency market conduct has investigated several bail industry complaints, which has resulted in new legislation being implemented. The new legislation has increased regulatory authority over the bail industry resulting in several denials, fines and revocations.

This section implemented the State Based Systems (SBS) to provide efficient and accurate processing of enforcement cases through a fully integrated system that is linked to the Company and Producer Licensing systems.

Agency Market Conduct staff investigated 320 cases. Approximately 91 cases were resolved by consent and approximately $470,371 was collected in civil penalties and restitution.

Agency Market Conduct employees maintain membership and participate in the following activities:
- Member, NAIC;
- Member, SBS;
- Member, Inter-Agency Coordinating Council; and
- Member, Insurance Regulatory Examiners Society.

Producer Licensing

This section is responsible for the licensing and administration of the following license types: Producer, Adjuster, Appraiser, Public Adjuster, Fraternal Producer, Apprentice Adjuster, Apprentice Appraiser, Surplus Lines Broker, Limited Lines Producer and Business Entities. The section is also responsible for insurance company appointments, continuing education, investigations and insurer licensing market conduct issues.

Staff provided presentations to consumer advocate groups, the public, professional insurance organizations including agent associations and business entities, industry trade groups and insurance companies on current insurance industry trends and regulatory changes, enforcement issues and ethics.

This section continues to work with the National Insurance Producer Registry (NIPR) to enhance the electronic processes for licensing. NIPR’s Personalized Information Capture System was updated to allow staff to retrieve, view and process regulatory actions more efficiently. The NAIC Regulatory Information Retrieval System continues to provide the department with up-to-date regulatory notices in regards to administrative actions, fines and revocations.

Delaware has worked closely with SBS to improve the efficiency and accuracy of capturing information. The SBS Continuing Education module has been updated to require email approvals/rejections. The SBS Producer module has been enhanced to include a Designated Homes State field for non-resident adjuster licenses. This provides licensees the ability to electronically apply and renew a license. This has increased the productivity of the unit in regards to processing applications/renewals.

Rates and Forms

This section enhances the tracking and monitoring of rate and form filings with System for Electronic Rate and Form Filing (SERFF), which is designed to enable companies to send and receive, comment on and approve or reject insurance industry rate and form filings electronically. SERFF continues to implement changes to comply with ACA for reporting. Nearly 100 percent of all filings are received electronically.

SERFF was modified to accommodate the Quality Health Plan application and filings for the Marketplace/Exchange.

The Rates and Forms section maintains the following activities:
- Participates in committees and work groups of the NAIC;
- Participates in E-Reg;
- Participates in SERFF working groups; and
- Performs plan management functions related to the Federal/State Partnership exchange and provides reports to the Department of Health and Social Services and the Centers for Medicare and Medicaid Services.

Consumer Services

The Consumer Services unit investigates and attempts to resolve complaints by Delaware consumers against insurance companies and agents and acts as the frontline in the department’s interaction with, and service to, Delaware insurance consumers. Its professional staff is comprised of eight investigators, half of whom are responsible for life and health and half of whom are responsible for property and casualty. They investigate complaints lodged by Delaware policyholders against carriers, brokers and agents who are subject to regulation under Title 18.

The Consumer Services unit performs many additional functions. Even in cases where the department lacks jurisdiction, the investigators will locate the appropriate contact in another state or agency and put the consumer in direct contact with them. Consumer Services investigators participate in outreach in all three counties, providing information and real-time guidance to those
who are either unaware of the department’s services or are unable to contact the department during business hours.

In Fiscal Year 2014, the Consumer Services division received 4,872 consumer complaints and inquiries. As in prior years, the most frequent issues regard what perils are covered under a policy, disputes about claims payment and increases in premiums.

Workplace Safety Program

This program, available to employers doing business in Delaware, offers participants the opportunity to earn up to a 19 percent discount on workers’ compensation premiums. Employers who have been in operation three years or more and whose annual workers’ compensation premium is $3,161 or more are eligible to participate. The program works with the Delaware Compensation Rating Bureau, qualified inspectors, insurance industry and employers to ensure the accuracy of information and expedient processing of each employer’s safety credit. Since its inception in 1988, the program has yielded a savings of approximately $118 million for Delaware employers. In Fiscal Year 2014, 1,496 employers participated.

### PERFORMANCE MEASURES

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<tr>
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<tbody>
<tr>
<td># of new licenses:</td>
<td></td>
<td></td>
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<tr>
<td>producers</td>
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<tr>
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<td># of consumer complaints/inquiries</td>
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<tr>
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<tr>
<td># of arbitration cases closed without hearing</td>
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Delaware Medicare Assistance Bureau

In May of 2014, ELDERinfo was renamed the Delaware Medicare Assistance Bureau or DMAB. DMAB is the State Health Insurance Program for Delaware’s Medicare population of over 160,000. The program is a public service of the Insurance Commissioner’s office and is funded through a grant from the Administration for Community Living.

The program is designed to assist, educate and empower people with Medicare and their caregivers with complex and often confusing matters of the Medicare Prescription Drug Improvement and Modernization Act of 2003, Medigap and other supplemental insurance, medical bills, enrollment issues, non-renewals, Medicare Advantage options, guaranteed issue rights, financial assistance with prescriptions, Medicare Savings programs, long-term care insurance and other health insurance matters.

Staffing consists of three full-time employees and 18 volunteer counselors conducting one-on-one counseling. From June 2013 through June 2014, the unit assisted 6,533 beneficiaries with one-on-one counseling and reached more than 60,000 individuals through interactive public presentations, health fairs and direct mailings. The unit mailed 484 Medicaid applications, resulting in potential savings of more than $641,784 for the Medicare premium reimbursement.

DMAB continues to focus on one-on-one counseling for Delaware seniors. The unit will continue to educate the Medicare population through direct mailers, health fairs, outreach programs, radio/TV interviews, senior forums and one-on-one counseling.

### Bureau of Captive and Financial Insurance Products

The Bureau of Captive and Financial Insurance Products was formed in 2009 to provide increased flexibility to businesses needing customized insurance, foster the growth of Delaware as a domicile for captive insurance entities and create additional revenue-generating insurance products and services. Today, Delaware has licensed over 317 captive insurers, 13 protected cells, and 637 series business units under the Delaware limited liability companies. In total, these 967 risk-bearing captive entities make Delaware the third largest captive domicile in the U.S. and the world’s sixth largest captive domicile.

### PERFORMANCE MEASURES

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
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<tr>
<td># of captive insurance companies</td>
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<td>342</td>
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</table>
The mission of the Office of the State Treasurer (OST), the cornerstone of the State’s financial system, is to restore economic prosperity to the First State by providing critical financial services for the People of the State of Delaware.

**FUNDING**

<table>
<thead>
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<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
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<tbody>
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**POSITIONS**

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<tr>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>23.0</strong></td>
<td><strong>23.0</strong></td>
<td><strong>23.0</strong></td>
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</table>

OST is divided into four offices: Executive Office of the State Treasurer, Office of Finance and Treasury Services, Office of Disbursements and Reconciliations and Office of Economic Policy. The respective offices have independent objectives and work in unison to accomplish the mission of OST.

**ADMINISTRATION**

OST is responsible for the administration of the State’s Section 218 Social Security agreements. OST continues to build relationships with the related entities to ensure compliance with Section 218 agreements and work with all applicable parties.

OST manages a variety of statewide functions for the agencies and institutions of the State. These include deferred compensation programs, investment management, banking and cash management services and debt management.

Participation in the State of Delaware Deferred Compensation 457(b) Plan has grown from 3,400 in July 1999 to over 12,800 in July 2014. State employees contribute more than $1.2 million per pay cycle and have over $511 million saved toward retirement. Although currently suspended, the State Match program resulted in more than $21 million currently standing in state employee match accounts.

Participation in the 403(b) plan for employees working for a school district, charter school, Delaware Technical and Community College, Delaware State University and Department of Education has grown from 4,328 in 2009 to over 5,700 in July 2014. Assets in the 403(b) plan currently total over $270 million.
OST monitors external investment managers who invest the State’s money pursuant to the investment guidelines set forth in the Delaware Code, the Cash Management Policy Guidelines and in accordance with best practices. OST is responsible for periodic reporting related to investments. All interest earnings on investments accrue to the General Fund unless state law or legislation requires otherwise. In addition, OST provides estimates of dividend and interest income for DEFAC and the General Assembly.

OST manages the State’s major banking relationships and the State’s credit card acceptance program. OST is responsible for the daily investment of the State’s cash pool of over $2.1 billion, setting the daily cash position and moving money as directed. The office is also responsible for assisting state agencies with banking and vendor payment needs and interest calculations for all school and special funds.

OST is responsible for reconciling the State’s general collection and disbursement accounts, which includes performing internal audits and payment distribution for ACH and check services. Specifically, the payments processed through this office include payroll, pension, vendor, foster care, personal income tax refunds, escheat payments and corporate tax refunds. The office also provides a variety of payment services including reissuance or cancellation of checks, maintaining the stale-dated check register and providing deposit information for incoming funds.

OST maintains a continual improvement policy for fraud prevention, including the use of the positive pay system, which verifies certain information on all state issued checks prior to payment by a financial institution. The office also works with other state agencies on internal processes and increasing professional education to keep current on strategies relating to fraud prevention.

### ACTIVITIES

- Settle the cash position daily to ensure state funds are recorded in appropriate accounts while maximizing dollars available for investment.
- Administer and promote the State Deferred Compensation programs.
- Record and deposit receipts daily including tracking ACH activity.
- Reconcile major state bank accounts and lockboxes.
- Disburse funds to meet financial obligations, including ACHs, wire transfers and daily processing of vendor checks.
- Provide service to agencies and schools by issuing stop payment/reissues and other check requests.
- Ensure the State and applicable parties maintain compliance with Social Security regulations.
- Process payroll, pension, vendor, foster care and personal income tax refunds.
- Facilitate cash management projects statewide that improve efficiency by reducing float, eliminating paper and streamlining processes.
- Reconcile state payroll and payment of federal taxes.
- Approve, monitor and reconcile the acceptance of credit card payments by any state agency.

### PERFORMANCE MEASURES

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<tr>
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<tbody>
<tr>
<td># of 457(b) Deferred Compensation accounts</td>
<td>12,804</td>
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<td># of 403(b) Deferred Compensation accounts</td>
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<td># of days to reconcile major accounts</td>
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<td>5</td>
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<td>$ ACH vendor payments (billions)</td>
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### DEBT MANAGEMENT

#### MISSION

The mission of the debt management section of OST is to manage the State’s debt, including legal and accounting records; process and account for all local school debt and interest; process and account for all special fund balances and interest; and provide overall guidance and accounting in an effort to maximize taxpayer value in the area of debt issuance and its management.

#### KEY OBJECTIVES

- Provide guidance to state and school district officials regarding debt issuance and capital financing, which maximizes taxpayer value and protects the interests of investors.
- Maintain an accounting and data retrieval system in OST for bond authorizations, bond sales, amortizations, debt budgeting and debt payments with less reliance on manual calculations and operations for state bonds, as well as for school district bonds.
- Work with the First State Financials (FSF) team to improve electronic reporting of special and school funds and interest payments on these funds.
OTHER ELECTIVE
12-00-00

- Coordinate and process the payment of principal and interest on behalf of all state agencies, school districts, banks and other financial institutions.

BACKGROUND AND ACCOMPLISHMENTS

During Fiscal Year 2014, all debt service payments to the Depository Trust Company were met on the bond due dates, which entailed:

- Disbursement of $229.6 million for 25 General Obligation issues on $1,825.3 million outstanding on June 30, 2014; and
- Collection of $65.1 million from schools for the repayment of their local share of school construction on $538.3 million of outstanding local share bonds on June 30, 2014.

ACTIVITIES

- Maintain records required for bond projects as authorized by the annual Capital Improvements Act from authorization through bond sales and amortizations of the bond sales over a number of years.
- Provide the Office of Management and Budget, other state agencies and school districts with the principal and interest payments due by fund and fiscal year.
- Provide bond counsel with data relating to bond projects, including project identification, description, volume and chapter required to obtain a legal opinion for the bond issue.
- Establish and monitor special fund interest table in FSF to calculate and pay interest on special funds on deposit with OST. Interest in Fiscal Year 2014 totaled more than $1.3 million.
- Advise and provide assistance to local school districts in acquiring an Attorney General’s opinion in securing a Bond Anticipation Note or permanent bond financing of the local share.
- Establish, maintain and monitor the school fund interest table in FSF to calculate interest to schools for their operation, debt service and construction funds on deposit with OST. Interest paid to school districts on their funds on deposit with OST totaled $1.8 million for Fiscal Year 2014.
- Assist the public with any inquiries concerning state bonds.

REFUNDS AND GRANTS
12-05-04

MISSION

The mission of the Refunds and Grants section of OST is to process refunds for improperly collected fees or receipts, maintain an accurate accounting of fiscal year refunds and accurately and timely process Grants-In-Aid, municipal street aid and fire and ambulance organization and police pensions in accordance with statutory requirements.

KEY OBJECTIVE

- Timely distribution of refunds and grants.

BACKGROUND AND ACCOMPLISHMENTS

Per 29 Del. C. § 2713, the State Treasurer executes a payment voucher as a direct claim in the event any agency improperly collects fees or receipts that become revenue to the General Fund.

In accordance with the annual Grants-In-Aid legislation, OST makes quarterly disbursements to nonprofit organizations.

ACTIVITY

- Disburse municipal street aid and fire and ambulance organizations and police pensions.

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<tr>
<td>% of accounting automation for debt issuances</td>
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