



BELFINT • LYONS • SHUMAN
Certified Public Accountants

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June 19, 2020

To the Plans Management Board
State of Delaware Deferred Compensation Plan
Delaware State Treasury
820 Silver Lake Blvd., Suite 100
Dover, DE 19904

We have audited the financial statements of the State of Delaware Deferred Compensation Plan (Plan) for the year ended December 31, 2019, and have issued our report thereon dated June 10, 2020. Professional standards require that we provide you with information about our responsibilities under *Generally Accepted Auditing Standards* and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Significant Audit Findings - Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 10, 2020.

Management Consultations with Other Independent Accountants

To our knowledge, management has not consulted with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation had involved an application of an accounting principle to the Plan's financial statements or a determination of the type of auditors' opinion that may have been expressed on those statements, our professional standards would have required the consulting accountant to check with us to determine the consultant had all the relevant facts.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we became aware of matters that are opportunities to strengthen the system of internal control and improve operating efficiency. The attachment to this letter summarizes our findings and recommendations.

Other Matters

We applied certain limited procedures to the Management Discussion & Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Plans Management Board
State of Delaware Deferred Compensation Plan
June 19, 2020
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This information is intended solely for the use of the Plans Management Board, plan administrator, and management of the State of Delaware Deferred Compensation Plan and is not intended to be, and should not be, used by anyone other than these specified parties. We thank the management and staff of the State of Delaware Deferred Compensation Plan for their cooperation and courtesies extended to us during the performance of our audit.

Very truly yours,

Belfint, Lyons & Shuman, P.A.

STATE OF DELAWARE DEFERRED COMPENSATION PLAN
Findings and Recommendations
December 31, 2019

Finding Number 1 - Roth Contributions Not Reported on W-3 and W-2s

Background - The IRS requires that participant contributions to a 457(b) plan be reported in box 12 of the W-3 and participant W-2s. Pre-tax contributions to a 457(b) plan should be reported using code G, and Roth contributions to the 457(b) plan should be reported with code EE.

Finding - While reconciling contributions, BLS noted that the Roth deferrals withheld from the DTC payroll were not appropriately reported on the W-3 and participant W-2s.

Resolution - DTC has indicated that they will endeavor to correct the Roth contribution reporting on their payroll system. There is no impact to the plan from this payroll finding.

Finding Number 2 - Required Minimum Distribution Beneficiary Tracking

Finding - While performing required minimum distribution (RMD) testing, BLS noted several deceased participants whose beneficiaries may be required to begin or continue taking RMD's. BLS inquired of Jennifer DellaVecchia at Voya who indicated the participant's beneficiary must initiate a death claim and provide the death certificate to begin processing RMD's.

Additionally, BLS noted that Louis Pisapia had been deceased since February 26, 2005, but continued to have his RMD's processed up until 2019.

Recommendation - BLS recommends that the State of Delaware management track and attempt to find the beneficiaries for deceased participants awaiting a death claim.

Finding Number 3 - Limitation on Investments Offered through Brokerage Window

Background - Section 6057 of Delaware Code Title 29 states *the deferred compensation program may offer any of the following investment options and none other:*

- (1) Savings accounts in federally insured banking institutions.*
- (2) United States government bonds or debt instruments.*
- (3) Life insurance and annuity contracts, provided the companies offering such contracts are subject to regulation by the Insurance Commissioner of the State.*
- (4) Investment funds registered under the Investment Company Act of 1940.*
- (5) Securities which are traded on the New York Stock Exchange National Association of Securities Dealers Automated Quotations (NASDAQ) and American Stock Exchange.*

Additionally, the Plan's investment policy statement states Tier 3 of the Plan's investment options offers a self-directed brokerage account option that provides participants with the opportunity to allocate their contributions to investments not otherwise offered in the Plan's investment array. Participants in the Plan can invest in individual stocks and bonds, exchange traded funds and mutual funds. The self-directed brokerage account is offered through TD Ameritrade.

Finding - BLS noted as of December 31, 2019, the Plan held \$603 of warrants and \$117 of options in the TD Ameritrade self-directed brokerage account.

STATE OF DELAWARE DEFERRED COMPENSATION PLAN
Findings and Recommendations - Continued
December 31, 2019

Recommendation - BLS recommends that the Investment Committee either have the Delaware State Assembly change Title 29 and update the investment policy statement, or monitor the self-directed brokerage account for any investments not falling within Section 6057 of Title 29.

Finding Number 4 - Verification of Election to Waive Federal Withholding

Finding - BLS noted during our distribution testing that a participant's distribution of \$10,000 on 3/1/2019 had no federal taxes withheld. BLS reviewed the participant's account and noted he has been receiving \$10,000 installment payments each year with no federal tax withheld. Jennifer DellaVecchia at Voya noted that Voya does not have an election waiving withholding on file because the installment payments had been occurring prior to Voya and they were set up with the data transferred to Voya during the transition. Jennifer confirmed the information received to set up the payments at Voya had no tax withholding, but no paper or electronic election could be provided for support. The final installment payment to the participant occurred in 2020.

Recommendation - BLS recommends that management makes sure there is documentation verifying federal tax withholding elections when applicable.