



Marathon Joint Fire District

Investment Program

2023M-76 | October 2023

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Report Highlights

Marathon Joint Fire District

Audit Objective

Determine whether Marathon Joint Fire District (District) officials developed and managed a comprehensive investment program.

Key Findings

District officials did not develop and manage a comprehensive investment program.

- The Board of Fire Commissioners (Board) did not develop and adopt a comprehensive written investment policy as required by New York State General Municipal Law Section 39 until the end of our audit period.
- The District earned interest totaling approximately \$2,000 from the District's checking and savings accounts, which had an average daily balance of approximately \$567,000 during the audit period. However, the District could have earned approximately \$14,600, or \$12,600 more had officials used other available investment options.
- Officials did not consider other legally permissible investment options or formally solicit interest rate quotes that may have resulted in higher interest earnings.

As a result of our audit, the Board subsequently approved an investment policy in March 2023 and invested \$653,000 into an investment fund with higher interest rates.

Key Recommendation

- Periodically solicit interest rates and obtain investment information to ensure available funds are invested to maximize interest earnings.

District officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The District is a district corporation of the State, distinct and separate from the Town of Marathon in Cortland County. The District provides fire protection and emergency services to the Towns of Marathon, Lapeer and Freetown.

The six-member elected Board is responsible for the District's overall financial management and safeguarding its resources, including creating and enforcing an investment policy. An elected Treasurer acts as the chief fiscal officer responsible for depositing and investing District funds.

Quick Facts

Average Daily Bank Balances	\$567,280
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2023 Appropriations	\$246,570
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Interest Earned During the Audit Period:

January 1, 2022 – March 31, 2023 (District Bank)	\$142
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March 9, 2023 – March 31, 2023 (Alternate Investment Option)	\$1,901
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Total	\$2,043
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Audit Period

January 1, 2022 – March 31, 2023

Investment Program

What is a Comprehensive Investment Program?

Fire district boards should develop and manage a comprehensive investment program. A sound program for protecting public funds requires prudent strategies, including procedures to ensure the safety of investments and deposits while maximizing earnings on any money that is not required for operations. Investing involves both opportunities and risks, and officials must ensure the safety of public funds while striving to maximize yield. A sound investment and cash management system should ensure that sufficient liquidity is available to support operations and that investments follow the statutory framework established for fire districts.

A comprehensive investment program should serve four basic objectives – legality, safety liquidity and yield. To keep public funds safe, officials need to understand the requirements they must comply with and the investment limitations and safeguards required of fire district investments and deposits. Prudent cash management and investment practices must include, among other things, the adoption of a formal investment policy in accordance with New York State General Municipal Law (GML) Section 39,¹ detailing the fire district’s operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of the fire district’s funds. The purposes of the investment policy include: establishing basic procedures to meet investment objectives; ensuring that investment assets are adequately safeguarded and collateralized, if necessary; establishing and maintaining internal controls and proper accounting records; and providing accurate reporting and evaluation of investment results.

At a minimum, an investment policy must address the following areas:

- Procedures for monitoring, controlling, depositing and retaining investments and collateral,
- Standards for security agreements and custodial agreements with banks or trust companies authorized to do business in the State,
- Permitted types of authorized investments,
- Standards for diversification of investments,
- Standards for any institution with which a fire district transacts business, such as criteria covering creditworthiness, experience and other factors a board would want considered,
- Standards for written agreements in which investments are made, and

¹ OSC has a publication available on our website entitled *Local Government Management Guide Investing and Protecting Public Funds* <https://www.osc.state.ny.us/files/local-government/publications/pdf/investing-and-protecting-public-funds.pdf> to assist officials in prudent cash management and investment practices.

- Procedures and provisions to satisfactorily secure the fire district’s financial interest in investments.

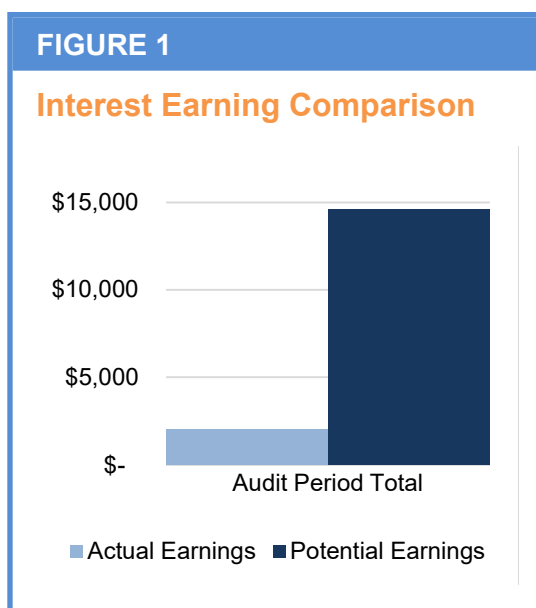
When implemented, these types of policies and procedures can help lower investment risk while increasing the opportunities for higher investment earnings. The board must annually review the investment policy and should regularly monitor investments.

Officials Did Not Develop and Manage a Comprehensive Investment Program

District officials did not develop and manage a comprehensive investment program, nor did the Board adopt a written investment policy until the end of our audit period. By developing and managing a comprehensive investment program and adopting a written investment policy earlier, officials could have provided the Treasurer with clear instructions, for example, to realize higher interest earnings in light of the rising interest rate environment in 2022.

During the audit period, officials maintained an average daily bank balance of approximately \$567,000 that was available to invest. The Treasurer maintained these funds at one financial institution in a checking account and five savings accounts. The interest rate earned on each of these accounts equaled 0.02 percent, earning interest totaling \$2,043.²

In March 2022, interest rates generally began to climb, but the interest rate the District was earning remained flat at 0.02 percent. We compared available interest rates to the rates received on the District’s checking and savings accounts.³ Based on our comparison, the District could have earned approximately \$12,600 more than the approximately \$2,000⁴ of interest the District actually earned from its checking and savings accounts during the audit period (Figure 1).



2 This includes \$1,901 of interest earned between March 9 and March 31, 2023 after District officials invested in an investment fund.

3 See Appendix B for detailed methodology.

4 See supra, note 2.

District officials did not solicit interest rate quotes to maximize interest earnings. According to the Chairman of the Board, officials were unaware of the various investment options available to the District. After providing onsite technical assistance and while the audit was in fieldwork, the Board adopted an investment policy in March 2023 that was in accordance with legal requirements and invested \$653,000 into an investment fund with higher interest rates. As a result, the District earned an average of \$82.63 in interest per day in March 2023,⁵ compared to the \$0.33 in interest per day that was earned in February 2023. The Chairman indicated that going forward they will analyze how much money will be needed to pay the next month's bills and will transfer funds accordingly.

What Do We Recommend?

The Board and District officials should:

1. Continue to manage a comprehensive investment program which includes preparing monthly cash flow forecasts that estimate available funds for investment.
2. Monitor investments, periodically solicit interest rates and obtain investment information to ensure available funds are invested to maximize interest earnings.

After providing onsite technical assistance...the Board adopted an investment policy...and invested \$653,000 into an investment fund with higher interest rates.

⁵ Potential and actual earnings were adjusted to reflect the period of March 9 through March 31, 2023, which represents the time period the District had investments with an investment fund to date.

Appendix A: Response From District Officials

Marathon Joint Fire District
PO Box 271
Marathon, NY 13803

October 2, 2023

To the Office of the State Comptroller

The Marathon Joint Fire District (MJFD) agrees with the audit findings that have been reported. The MJFD Board was deficient, in regards to our obligations to comply with the laws governing the Fire Districts Investment policies. MJFD did not know investing could take place outside the local FDIC bank.

Response to Audit Findings:

- Since, learning of the requirements the MJFD Board has adopted a new up to date Investment Policy. The MJFD Board has invested in New York Class as of mid May 2023.
- As part of our Investment Policy we will conduct a biannual review of available interest rates. Adjustments will be made to the investments as necessary.

The MJFD Board feels that the information we obtained during the audit was valuable. The opportunity to invest outside the local FDIC banks should be distributed to all Board of Fire Commissioners within New York State. This would prevent Fire Boards from being in violation of Town law. But most importantly is to prevent them from missing out on lost interest revenue.

MJFD asks that this letter act as our fulfilling of the CAP requirements.

The MJFD Board recommends that the NYS Office of Comptrollers should increase their outreach so all NYS Volunteer Fire Boards learn about this investment opportunity.

Regards

Craig Bramah

Chairman of the MJFD

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the District's investment policy and various financial records to gain an understanding of the District's cash management and investment procedures.
- We reviewed all bank statements for the District's general fund and reserve accounts during the audit period to assess the amount of funding available for investment and the interest received on those funds.
- We identified three alternative investment options with higher interest rates available during the audit period. These options were legally permissible, highly rated, allowed funds to be withdrawn at any time without penalties or fees and had minimum investment balances that the District could meet. We calculated the average monthly interest rate from these options, when available, and compared it to the interest rate earned by the District to determine the potential interest earnings the District could have realized.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief of Municipal Audits

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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