

Glens Falls Common School District

Cash Management

NOVEMBER 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Glens Falls Common School District

Audit Objective

Determine if District officials maximized interest earnings.

Key Findings

- District officials did not develop and manage a comprehensive investment program to ensure interest earnings were maximized.
- Had officials invested available funds in a financial institution with higher available interest rates, interest earnings could have been increased by \$45,330 during the audit period.

Key Recommendations

- Ensure available funds are invested, within legal limits, to maximize interest earnings.
- Prepare monthly cash flow forecasts that estimate available funds for investment.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Glens Falls Common School District (District) serves a portion of the residents of the City of Glens Falls in Warren County. The three-member elected Board of Education (Board) is responsible for the general management and control of financial and educational affairs.

The District Superintendent serves as the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The District has funds on deposit at one financial institution. Bank accounts are maintained for operating funds, grant proceeds, employee withholdings for benefits and payroll taxes.

Quick Facts

Enrollment	157
2018-19 Adopted Appropriations	\$4.77 million
Interest Earnings During Audit Period	\$3,072

Audit Period

July 1, 2017 - June 30, 2019

Cash Management

How Should Officials Ensure Interest Earnings Are Maximized?

District officials should develop and manage a comprehensive investment program. A comprehensive program should include the board adopting and annually reviewing an investment policy in accordance with New York State General Municipal Law (GML),¹ soliciting interest rate quotes from multiple financial institutions, preparing monthly cash flow forecasts to estimate available funds for investment and investing available funds (within legal limits) in financial institutions offering the highest interest rates balanced with the acceptable risk. Once established, district officials should monitor the program to ensure interest earnings are maximized.

Officials Did Not Ensure Interest Earnings Were Maximized

The Board adopted an investment policy in August 2003. Although the Board annually readopted the policy, it did not annually review the policy as required by GML and as a result, the policy has not been updated to reflect current market conditions for 16 years. In addition, District officials did not solicit interest rates or obtain investment information from any financial institutions during the audit period, as required by the District's Investment policy and procedures. Further, officials did not develop and manage a comprehensive investment program to ensure interest earnings were maximized. For example, during the audit period officials did not prepare any cash flow forecasts to estimate available funds for investment.

Officials maintained the District's operating funds at one financial institution. During the audit period, operating funds were deposited in three interest-bearing checking accounts with a monthly interest rate of .1 percent. One account was used for tax collection purposes and funds were disbursed to the operating account as needed. The majority of the funds remained in the tax collection account because the District's largest non-personnel expenditures are for tuition,² which is paid to a neighboring district semiannually, in February and July. The average amount of available funds for investment for the tax collection account was \$957,676 and the operating account was \$435,461. The District realized interest earnings related to its operating funds of \$3,072 during the audit period.

We found that officials could have invested available operating funds averaging approximately \$1.4 million in another financial institution³ with available interest rates between .80 percent and 2.31 percent or an average interest rate of 1.7

1 GML, Section 39

2 Tuition payments for the fiscal years ending in 2018 and 2019 were \$933,097 and approximately \$1.1 million, respectively.

3 The financial institution did not require minimum investment amounts to receive the stated interest rates and allowed for funds to be withdrawn at any time without penalties or fees.

percent during the audit period. If officials had invested available funds in this financial institution, interest earnings could have been increased by \$45,330 for the audit period.

Because officials did not develop and manage a comprehensive investment program, the District did not realize significant potential revenues.

What Do We Recommend?

District officials should:

1. Annually review the investment policy and update as needed, prior to readopting it.
2. Solicit interest rates and obtain investment information to ensure available funds are invested, within legal limits, to maximize interest earnings.
3. Prepare monthly cash flow forecasts that estimate available funds for investment.

Appendix A: Response From District Officials

GLENS FALLS COMMON SCHOOL DISTRICT

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NYS Office of the State Comptroller
Division of Local Government and School Accountability

██████████
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801

Re: Glens Falls Common School District, Cash Management, Report of Examination, Audit 2019M-177

Dear ██████████

We are in receipt of the report of your audit entitled Cash Management of the Glens Falls Common School District for the period of July 1, 2017 to June 30, 2019. The District has made an initial review of the report and will have a Corrective Action Plan completed and submitted to your office within 90 days after the publication of the report, as required.

The Glens Falls Common School District wishes to thank the New York State Comptroller's Office and the team of examiners who worked with the District on this audit. The District takes all of the findings seriously and we will continue to strive to ensure that all of our procedures are of best practice.

Sincerely,

Brian George
Superintendent

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 procedures and various financial records to gain an understanding of the District's cash management procedures. This included inquiries regarding the Board's annual review of the investment policy, soliciting interest rate quotes from financial institutions and the preparation of cash flow forecasts.
- We reviewed all bank statements for operating fund bank accounts during the audit period and analyzed the corresponding cash balances to determine the funds that were available to be invested each month. We then calculated the amount of interest earnings that could have been realized by District officials had they invested the available funds in interest bearing accounts of another financial institution. We selected this financial institution because it did not require minimum investment amounts, allowed for funds to be withdrawn at any time without penalties or fees and the daily interest rates were publicly available. We then compared our calculated amount of interest earnings that could have been realized to the interest earnings actually realized by the District during our audit period.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. 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 in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

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