

Moriah Central School District

Cash Management

JUNE 2019



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

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Report Highlights

Moriah Central School District

Audit Objective

Determine whether 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 idle funds in a financial institution with higher available interest rates, revenue would have increased by \$61,162 during the audit period.

Key Recommendations

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

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

Background

The Moriah Central School District (District) serves the residents of the Towns of Crown Point, Moriah and Westport in Essex County.

The seven-member elected Board of Education (Board) is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools is the chief executive officer and, along with other administrative staff, is responsible for day-to-day management under the Board's direction.

The District has funds on deposit at one financial institution. Bank accounts are maintained for operating funds, scholarships and extra-classroom activities.

Quick Facts

Enrollment	725
2018-19 Adopted Appropriations	\$17.4 million
Interest Earnings During the Audit Period (Operating Funds)	\$5,959

Audit Period

July 1, 2017 – January 31, 2019

Cash Management

How Do 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 Law¹ (GML), soliciting interest rate quotes from multiple financial institutions, preparing monthly cash flow forecasts to estimate available funds for investment and investing idle 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 December 2017 and annually reviewed the policy as required by GML and the policy. Although District officials did not formally request proposals for banking services during the audit period,² the Business Manager obtained investment information from three additional financial institutions during the audit period. As a result, on May 8, 2018, the Board adopted a resolution approving officials to invest funds in one of these financial institutions.

However, we found that 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. In addition, as of January 31, 2019, officials had not invested any funds in the financial institution approved by the Board on May 8, 2018.

Instead, officials maintained the District's operating funds (except for scholarships and extra-classroom activities) at one financial institution. During the audit period, operating funds were deposited in four interest bearing checking accounts with a monthly interest rate of .1 percent, one certificate of deposit (certificate) with an interest rate of .25 percent and one non-interest bearing checking account.

The certificate matured on November 19, 2017 and officials transferred the funds to one of the interest bearing checking accounts. The Business Manager told us that the certificate was not renewed because officials anticipated investing these funds in another manner to increase interest earnings. However, as of January 31, 2019, these funds remained on deposit in the interest bearing checking account.

1 New York State General Municipal Law, Section 39

2 District officials last requested proposals for banking services from four financial institutions in January 2015.

District officials also maintained a \$300,000 balance in the non-interest bearing checking account during the audit period so the District would not be charged various banking fees and receive an annual \$750 credit from the bank to offset the cost for purchasing checks and deposit slips. As a result, the District realized interest earnings related to its operating funds of \$5,959 during the audit period.

We found that officials could have invested idle operating funds averaging approximately \$2.7 million during the audit period in another financial institution³ with higher available interest rates between .81 percent and 2.28 percent or an average interest rate of 1.5 percent during the audit period. If officials had invested funds in this financial institution, interest earnings would have been increased by \$61,162 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?

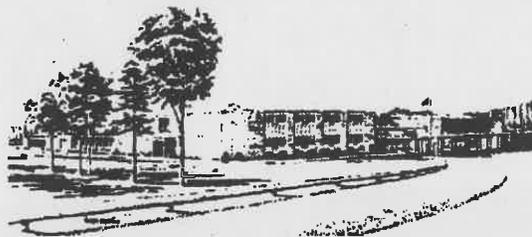
District officials should:

1. Prepare monthly cash flow forecasts that estimate available funds for investment.
2. Ensure idle funds are invested in a manner, within legal limits, to maximize interest earnings.

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.

Appendix A: Response From District Officials

BOARD OF EDUCATION
CHARLES FRENCH, *President*
DANIEL SADOWSKI, *Vice President*
DR. MICHAEL CELOTTI
ERICA KAZLO
TODD MALBON
ANN TESAR
BENJAMIN WINTERS



ADMINISTRATION
WILLIAM J. LARROW, *Superintendent*
VALERIE STAHL, *Elementary Principal*
ALISON BURCH, *Secondary Principal*
CARRIE LANGEY, *Dir. Spec. Services/Asst. Principal*
ERIN GILBO, *Business Manager*
VALERIE MILDON, *District Treasurer*
JOSEPH KAZLO, *Supt. Of Bldgs, Grounds & Transportation*
BRIAN CROSS, *Athletic Director/Dean of Students*

Moriah Central School District

39 VIKING LANE PORT HENRY, NEW YORK 12974 (518) 546-3301 FAX: 546-7895

May 16, 2019

[REDACTED]
Office of the State Comptroller
Division of Local Government and
School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Dear [REDACTED]:

We are in receipt of the report of your audit of Cash Management of the Moriah Central School District for the period covering July 1, 2017 – January 31, 2019. The District appreciates the recommendations made as a result of this audit. Please accept this as our Corrective Action Plan.

1. District Officials should prepare monthly cash flow forecasts that estimate available funds for investment.

Response: Cash flow forecasts that estimate available funds for investment will be prepared by the District.

2. District officials should ensure idle funds are invested in a manner, within legal limits, to maximize interest earnings.

Response: At the date of this letter, idle funds have been invested in financial institutions earning approximately 2.38%. The District will continue to ensure that idle funds are invested in a manner, within legal limits, to maximize interest earnings. The District recognized the recent, climbing interest rates and began taking the necessary measures, in the months prior to the audit,

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such as updating the investment policy, passing the appropriate resolutions, and setting up accounts, to invest any idle funds that the District felt comfortable with.

We would like to thank you for these recommendations as we are always looking to effectively manage the District's operations. Please contact me with any questions or concerns.

Sincerely,

William J. Larrow
Superintendent of Schools

WJL/ejg

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 objective⁴ 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 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 amount of idle funds that were available to be invested each month during the audit period. We then calculated the amount of interest earnings that could have been realized by the District during the audit period had they invested the idle funds in another financial institution than the one used by the District. 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 during the audit period 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 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 District Clerk's office.

⁴ We also issued a separate audit report, *Moriah Central School District – Medicaid Reimbursements (2019M-64)*.

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#lgmg

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

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/localgov/index.htm

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

GLENS FALLS REGIONAL OFFICE – Jeffrey P. Leonard, Chief Examiner

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