

# Broadalbin-Perth Central School District

## Cash Management

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OCTOBER 2020

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

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# Report Highlights

## Broadalbin-Perth 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. As a result, officials did not maximize interest earnings for the District.

- Officials did not formally solicit interest rate quotes or prepare cash flow forecasts to estimate the amount of funds available for investment.
- Officials earned interest totaling \$40,652 during the audit period. However, they could have earned about \$159,100 more had officials used other available investment options.

### Key Recommendations

- Periodically solicit interest rate quotes from multiple financial institutions.
- Ensure available funds are invested within legal limits, to maximize interest earnings.
- Prepare cash flow forecasts that estimate funds available each month for investment.

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

### Background

The Broadalbin-Perth Central School District (District) is located in the Towns of Broadalbin, Perth, Johnstown, Mayfield and Northampton in Fulton County; the Towns of Edinburg, Galway and Providence in Saratoga County; and the Town of Amsterdam in Montgomery County. The District receives 70 percent of the budgeted tax levy from the Towns of Broadalbin and Perth.

The seven-member Board of Education (Board) is responsible for the general management and control of the financial and educational affairs. The District Superintendent serves as the chief executive officer and is responsible, along with other administrative staff, for day-to-day management under the direction of the Board. The District maintains all funds on deposit in ten accounts at one financial institution. Operating funds are in the general fund, school lunch and special aid bank accounts.

#### Quick Facts

Enrollment	1,800
Fiscal Year 2019-20 Adopted Appropriations	\$38.1 million
Average Available Balance to Invest	\$6.4 million
Interest Earnings During the Audit Period (Operating Funds)	\$40,652

### Audit Period

July 1, 2018 – January 31, 2020

# Cash Management

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## How Should Officials Maximize Interest Earnings?

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),<sup>1</sup> 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 Maximize Interest Earnings

The Board adopted an investment policy in December 2017, and annually reviewed the policy as required by GML. However, officials did not implement a comprehensive investment program to ensure interest earnings were maximized. For example, during the audit period, District officials did not formally solicit interest rate quotes from additional financial institutions or prepare any cash flow forecasts to estimate the amount of funds available for investment. The Assistant Superintendent said that he had discussions with another financial institution in October 2019; however, he did not formally request proposals for banking services during our audit period.<sup>2</sup>

District officials maintained three bank accounts<sup>3</sup> for operating funds at one financial institution. During the audit period, operating funds were deposited in one interest-bearing checking account with interest rates ranging from .1 to .5 percent and two non-interest bearing checking accounts. As a result, the District realized interest earnings of \$40,652 related to its operating funds<sup>4</sup> during the audit period.

We identified the funds that were not needed to pay operating expenditures each month and found that the District could have invested available operating funds averaging approximately \$6.4 million in another financial institution at higher available interest rates of between 1.49 percent and 2.37 percent, or an average

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...[I]nterest earnings could have been increased by approximately \$159,100 during the audit period.

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1 GML Section 39

2 District officials last issued a request for banking service proposals in April 2007.

3 The remaining funds, which represented non-operating funds such as: debt service funds and trust and agency funds, were maintained in the same financial institution and included, five interest-bearing accounts with interest ranging from zero to .5 percent and two non-interest bearing checking accounts.

4 The District had additional interest earnings of \$8,313 on the five interest-bearing checking accounts not included in our analysis.

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interest rate of 2.02 percent during the audit period. This institution provided these rates on accounts without minimum investment amounts and allowed withdrawal at any time without penalty so the District could have invested all funds not expected to be needed for cash flow purposes. If the actual cash flow fell below expectations, money from the invested balances could have been used as needed.

If officials had invested these funds in this financial institution, interest earnings could have been increased by approximately \$159,100 during the audit period.

### **What Do We Recommend?**

The Board should:

1. Periodically solicit interest rate quotes from multiple financial institutions.
2. Ensure available funds are invested, within legal limits, to maximize interest earnings.

The Treasurer should:

3. Prepare and provide the Board with annual cash flow forecasts that estimate the amount of funds available each month for investment.

# Appendix A: Response From District Officials



**Marco Zumbolo**

*Assistant Superintendent for  
Business and Operations*  
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**BROADALBIN - PERTH** CENTRAL SCHOOL DISTRICT  
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August 3, 2020

Gary Gifford  
Chief Examiner  
NYS Office of the State Comptroller  
Division of Local Government and School Accountability  
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The Broadalbin-Perth Central School District is in receipt of the 2019-2020 New York State Office of the State Comptroller audit report on Cash Management. I would like to take this opportunity to thank the field auditor on site for her time and effort, and for handling the lengthy audit process with utmost integrity, professionalism, and class.

Please accept the comments that follow as the official district response and corrective action plan as they relate to the report on Cash Management (2020M-65) submitted to the Broadalbin-Perth Central School District on July 3<sup>rd</sup>, 2020. As the audit report has but one finding and three recommendations, and as is allowed under the guidelines on page 9 of the OSC guidance on responding to OSC audit reports (<https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/respondaudit.pdf>), it is the conclusion of the Board of Education and District administration that this audit response and corrective action plan can be satisfactorily combined into this single correspondence. In documenting our response and corrective action plan, the district has chosen to address specifically the observation and recommendations detailed in the audit report.

**District Response to the Audit Report:** The District acknowledges the validity of the audit report and is pleased, given the length and depth of the audit process, that there was only one finding, with three distinct recommendations. It is essential for the District to put on record in this response that there were no findings from OSC in this audit regarding: internal controls, treasury function, data process and transparency, potential exposure to fraud, or any other common areas of school district deficiency in terms of cash management. District officials and the Board of Education are proud of the consistent effort and continued successes of our business office staff.

The District generally agrees with the single finding of the Comptroller's auditors: "officials did not maximize interest earnings for the District". However, it is important to note that District officials had previously recognized the need to address investments of public funds. The District wishes to include that much of this work was already underway to address the issue prior to the commencement of the OSC audit. District officials had been exploring savings and investment options periodically since municipal savings interest rate declines began in recent years. As surrounding districts began to see some positive returns on investments outside of their regular municipal banking options (savings, money markets, CDs), Broadalbin-Perth prioritized examining new investment opportunities and investment firms. District

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officials communicated with several regional school districts throughout the 2018-2019 school year and tracked performance of regional school district investments. In October of 2019, prior to the commencement of this NYS OSC Audit, the district had met with a representative from [REDACTED] as well as entered into detailed discussions with our [REDACTED] regional vice president, as well as with corporate representatives from [REDACTED] to determine potential new investment options. That history and initial progress aside, the district thanks the field auditor for assistance in this process.

The Broadalbin-Perth Central School District has historically worked closely with our municipal banking partners to maximize interest rate returns within our account structures and has utilized available savings methods and protocols within our existing banking agreements and investment policy (5220 – District Investments). The district’s acknowledgement and agreement with the finding of the audit is related specifically to the utilization of investment opportunities outside of previously approved municipal banking partners. Entering into these outside investment agreements could have improved our rate of return on investments of available funds. Notably, the potential interest revenue stated in the audit is based on minimum total monthly district cash in deposit, and the interest rate of return from [REDACTED] for that specific monthly period. Although this is a logical and accurate method for determining potential interest earnings, it does not take into account that the District is subject to municipal banking fees and penalties if minimum balances are not held in our existing bank accounts. Given that caveat, actual funds available for deposit would have been less than what was used in the audit calculation, and therefore unachieved interest earnings results would actually have been lower than the \$159,100 stated in the audit finding. That said, the District will continue to aggressively pursue optimal investment opportunities in the future.

**BROADALBIN-PERTH CSD - CORRECTIVE ACTION PLAN**  
**NYS OSC Audit 2020M-65**

**Key Findings of the Audit:**

District officials did not develop and manage a comprehensive investment program. As a result, officials did not maximize interest earnings for the District.

- Officials did not formally solicit interest rate quotes or prepare cash flow forecasts to estimate the amount of funds available for investment.
- Officials earned interest totaling \$40,652 during the audit period. However, they could have earned about \$159,100 more had officials used other available investment options.

**Recommendation #1:** The Board of Education should periodically solicit interest rate quotes from multiple financial institutions.

**Contact Person:** Marco Zumbolo, Assistant Superintendent for Business and Operations; Karen Fagan, School District Business Manager

**Corrective Action Planned:** The District has periodically reviewed potential interest earnings rates and opportunities from our Board of Education approved municipal banking partners for well over a decade. The District business office will continue to explore additional options for investments and solicit quotes from approved financial institutions, and examine opportunities from potential new investment partners in the future.

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**Anticipated Completion Date:** Completed as of October 2019. Moving forward, the District will maintain record of all new investment quotes and make them available for Board of Education review.

**Recommendation #2:** The Board of Education should ensure available funds are invested, within legal limits, to maximize interest earnings.

**Contact Person:** Marco Zumbolo, Assistant Superintendent for Business and Operations; Karen Fagan, School District Business Manager

**Corrective Action Planned:** The District Board of Education approved a resolution at the regular Board meeting on December 16, 2019 to allow for investments of funds through [REDACTED] and the initial investments were processed in March of 2020. Board of Education policy regulates investments according to legal requirements and limitations, and monthly discussions with the Board of Education's finance committee regarding investment options will continue.

**Anticipated Completion Date:** The Board of Education has always historically invested within legal limits without exception. Efforts to maximize interest earnings are ongoing.

**Recommendation #3:** The District Treasurer should prepare and provide the Board with annual cash flow forecasts that estimate funds available each month for investment.

**Contact Person:** Marco Zumbolo, Assistant Superintendent for Business and Operations; Karen Fagan, School District Business Manager

**Corrective Action Planned:** The District Board of Education's finance committee meets monthly, and cash flow is a topic of discussion within the review of the Treasurer's report at each meeting. These monthly cash flow discussions will continue, and a formal document on cash flow projections, in addition to the committee's standing progress updates, will be made available to the Board of Education on a quarterly basis beginning in January 2021.

**Anticipated Completion Date:** January 2021

On behalf of the Broadalbin-Perth Board of Education, I would like to thank your staff for the time and effort provided to the District for the NYS OSC audit. If you have any questions or comments regarding this response, or need to request or offer clarification of any kind, please do not hesitate to contact me.

Sincerely,

Marco Zumbolo  
Assistant Superintendent for Business and Operations  
(on behalf of Board of Education President Stephen Syzdek)



## Appendix B: Audit Methodology and Standards

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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<sup>5</sup> and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the District's investment policy and 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 funds that were available to be invested each month during the audit period. We determined the amount available for investment by using the lowest cash balance during the month for each account rounded down to the nearest one thousand dollars.
- We calculated the interest earnings that could have been realized during the audit period had the available operating funds been invested in another financial institution. We selected this financial institution because it did not require minimum investment amounts and allowed funds to be withdrawn at any time without penalties or fees, and because the daily interest rates were publicly available. We compared our calculated amount of interest earnings that could have been realized to the interest earnings actually realized in operating funds during our audit period.

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. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (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. The CAP should be posted on the District's website for public review.

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<sup>5</sup> We also issued a separate audit report, *Broadalbin-Perth Central School District – Online Banking (2020M-76)*.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://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?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://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/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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](http://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?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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