



Village of Greene

Investment Program

2023M-112 | December 2023

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Report Highlights

Village of Greene

Audit Objective

Determine whether Village of Greene (Village) officials developed and managed a comprehensive investment program.

Key Findings

Village officials developed a comprehensive investment program but did not effectively manage the program. During the 22-month audit period, the Village earned approximately \$5,800 from money on deposit in the Village's checking and savings accounts, which had an average daily balance of approximately \$3.7 million. Had officials considered other legally permissible investment options, the Village may have earned approximately \$96,900, or \$91,100 more than earned. Officials did not:

- Prepare monthly cash flow forecasts to estimate funds available for investment.
- Monitor investments.
- Formally solicit interest rate quotes.
- Consider other legally permissible investment options.
- Develop investment procedures to convey management's expectations for managing the Village's investment program.
- Annually review the Village's investment policy, as required by New York State General Municipal Law (GML) Section 39.

Key Recommendations

- Develop written investment program procedures and annually review the investment policy.
- Consider all four objectives of a comprehensive investment program - legality, safety, liquidity and yield - when investing available funds.

Village officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Village is located in Chenango County and is governed by an elected Board, composed of a Mayor (Mayor) and four Trustees.

The Board is responsible for the Village's overall financial management and safeguarding its resources, including enforcing an investment policy. A Board-appointed Clerk-Treasurer acts as the chief fiscal officer and is responsible for investing Village funds according to the Board-approved investment policy.

Quick Facts

Average Daily Bank Balances During Audit Period	\$3.7 million
Interest Earned During 22-Month Audit Period	\$5,800

Audit Period

June 1, 2021 – March 31, 2023

Investment Program

What is a Comprehensive Investment Program?

Village 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 achieving high 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 earn a high 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 villages.

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 village investments and deposits. Prudent cash management and investment practices must include, among other things, the adoption and annual review of a formal investment policy in accordance with GML Section 39,¹ which details the village’s operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of the village’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 should 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 village 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
- Procedures and provisions to satisfactorily secure the village’s financial interest in investments.

If the board delegates the administration of the investment program, it should establish written procedures for the execution of the investment program consistent with the

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.

investment policy. Procedures should include specific actions for officials to take to achieve high earnings, such as preparing monthly cash flow forecasts to estimate funds available for investment, soliciting interest rate quotes from multiple financial institutions, and investing available funds in legally permissible investments in financial institutions offering a competitive yield balanced with acceptable risk.

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 Manage a Comprehensive Investment Program

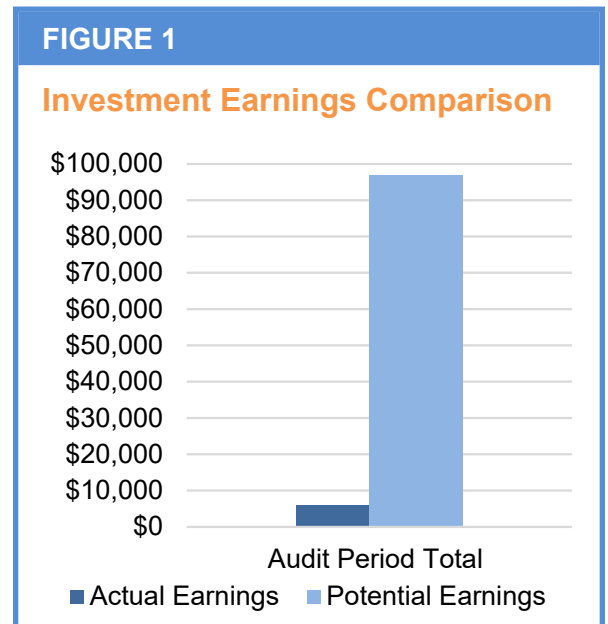
The Board adopted a comprehensive investment policy which delegated responsibility for the administration of the investment program to the Clerk-Treasurer, Deputy Clerk-Treasurer or Mayor. However, officials did not develop written procedures to convey management’s expectations for managing the investment program and did not actively solicit interest rate quotes. Additionally, the Board did not annually review the investment policy in compliance with GML Section 39.

During the audit period, the Clerk-Treasurer maintained 11 checking and savings accounts at one financial institution for all Village operating funds, reserves and custodial accounts. The Village’s bank accounts’ average daily balance was approximately \$3.7 million per month. All accounts earned monthly interest rates averaging 0.06 percent throughout the audit period and realized investment earnings totaling \$5,800.

While we did not identify any concerns over the legality, safety and liquidity of the Village’s investments, the Village’s investment program was not effectively managed because the Board did not communicate the investment program requirements to the designated officials. Furthermore, neither the Clerk-Treasurer, Deputy Clerk-Treasurer nor Mayor prepared monthly cash flow forecasts or monitored investments because they were unaware of the policy or investment options available to the Village.

We compared available interest rates to the rates received on the Village’s checking and savings accounts² and determined that, had officials considered other available investment options, the Village may have earned approximately \$91,100 more than the \$5,800 of investment earnings earned during the audit period (Figure 1).

[T]he Village may have earned approximately \$91,100 more than the \$5,800 of investment earnings earned during the audit period.



² See Appendix B for detailed methodology.

By developing the required written procedures over the investment program, officials could have provided clear instructions to the program administrators. Such instructions would help ensure administrators prepared monthly cash flow forecasts to estimate funds available for investment, actively solicited interest rate quotes, and invested with those institutions that offered a competitive yield. Furthermore, annually reviewing the investment policy helps ensure the Village remains in compliance with GML Section 39.

What Do We Recommend?

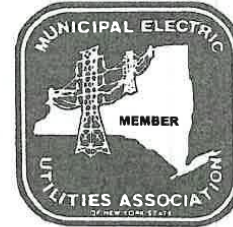
The Board and Village officials should:

1. Develop written procedures for the execution of the investment program and communicate them to responsible officials.
2. Prepare monthly cash flow forecasts that estimate available funds for investment and annually review the investment policy, as required by GML Section 39.
3. Consider all four objectives of a comprehensive investment program - legality, safety, liquidity and yield - when investing available funds. This includes monitoring investments and periodically soliciting interest rate quotes and obtaining investment information from multiple financial institutions to ensure funds are invested to benefit Village operations.

Appendix A: Response From Village Officials



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November 13, 2023

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

Re: 2023M-112

The Board of Trustees have reviewed the Investment Program Report of Examination draft for the Audit Period of June 1, 2021 – March 31, 2023 and agree with the findings of the report.

Please accept this Audit Response which is also serving as our CAP.

The Board of Trustees have sought investment options. At The Village of Greene's Board Meeting of November 13, 2023, the Board of Trustees agreed on NYCLASS Investment Services. As of November 14, 2023, immediate investments are being made through NYCLASS Investment Services.

On behalf of the Village of Greene Board of Trustees and Clerk Treasurer, we would like thank the OSC Auditors for their finding as well as their assistance in municipal investment explanation and clarification.

Best regards,

Phillip E. Brown
Mayor - Village of Greene

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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 Village officials and reviewed the Village's investment policy, Board meeting minutes and various financial records to gain an understanding of the Village's cash management procedures.
- We reviewed all bank statements for the Village'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 Village could meet. We calculated the average monthly interest rate from these options, when available, and compared it to the interest rate earned by the Village to determine the potential investment earnings the Village 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. 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. 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 Village Clerk-Treasurer's office.

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

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