



Onondaga Cortland Madison Board of Cooperative Educational Services

Cash Management

2023M-40 | June 2023

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Report Highlights

Onondaga Cortland Madison Board of Cooperative Educational Services

Audit Objective

Determine whether Onondaga Cortland Madison Board of Cooperative Educational Services (BOCES) officials maximized interest earnings.

Key Findings

BOCES officials did not maximize interest earnings. As a result, over an 18-month period, officials missed an opportunity for BOCES to realize additional interest earnings totaling \$310,865.

The Assistant Superintendent for Administration (Assistant Superintendent) and BOCES officials did not:

- Develop and manage a comprehensive investment program or develop procedures for the operation of the investment program in compliance with the Board of Education's (Board's) investment policy.
- Invest available funds throughout the audit period in an authorized cooperative municipal investment fund (Investment Fund) that offered higher interest rates.
- Prepare monthly cash flow forecasts or ensure interest rate quotes were solicited to maximize interest earnings.

Key Recommendations

- Develop written investment program procedures.
- Prepare monthly cash flow forecasts and ensure available funds are invested in legally permissible investments to maximize interest earnings.

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

Background

BOCES is composed of 24 school districts and is governed by an eleven-member Board elected by the boards of those school districts.

The Board is responsible for the general management and control of financial and educational affairs. The District Superintendent is the chief executive officer, responsible, along with other administrative staff, for the day-to-day management and regional planning and coordination.

The Board appointed the Assistant Superintendent as the investment officer responsible for the administration of the investment program. The Treasurer is responsible for depositing and investing funds.

Quick Facts

2022-23 Appropriations \$166.9 million

7/1/2021 – 12/31/2022

Interest Earnings \$135,939

Total Average Available Funds for Investing \$32.2 million

Audit Period

July 1, 2021 – February 15, 2023

Cash Management

How Can Officials Maximize Interest Earnings?

A Board of Cooperative Educational Services board should develop and manage a comprehensive investment program. A comprehensive program should include the board adopting an investment policy in accordance with New York State General Municipal Law, Section 39. If the board delegates the administration of the investment program, management should establish written procedures for the operation of the investment program consistent with the policy guidelines. The policy should address procedures for monitoring, controlling, depositing and retaining investments. In addition, the procedures should include actions for officials to take to maximize 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 the highest interest rates balanced with acceptable risk. Once established, officials should monitor investments to ensure interest earnings are maximized.¹

Officials Did Not Maximize Interest Earning Opportunities

The Board-adopted investment policy instructs the Assistant Superintendent to develop written procedures for the operation of the investment program consistent with policy guidelines. However, the Assistant Superintendent has not developed the required written procedures to help ensure interest earning opportunities were maximized. In addition, officials did not ensure monthly cash flow forecasts to estimate funds available for investment were prepared or interest rate quotes to maximize interest earnings were actively solicited.

The Treasurer maintained bank accounts for BOCES' funds at two financial institutions for all operating funds and reserves. Approximately 88 percent of the average available bank balances in BOCES' operating funds and reserves were maintained in four interest-bearing time deposit accounts. The monthly interest rates earned on the accounts ranged from .02 percent to 1.25 percent, depending on the balance in each account. BOCES realized interest earnings totaling \$135,939 on these accounts from July 1, 2021 through December 31, 2022.

Although the Treasurer invested most of BOCES' available funds in time deposit accounts from July 1, 2021 through December 31, 2022, BOCES had available funds averaging approximately \$32.2 million per month during this time period to invest in an Investment Fund that offered higher average monthly interest rates ranging between .03 percent and 3.82 percent.

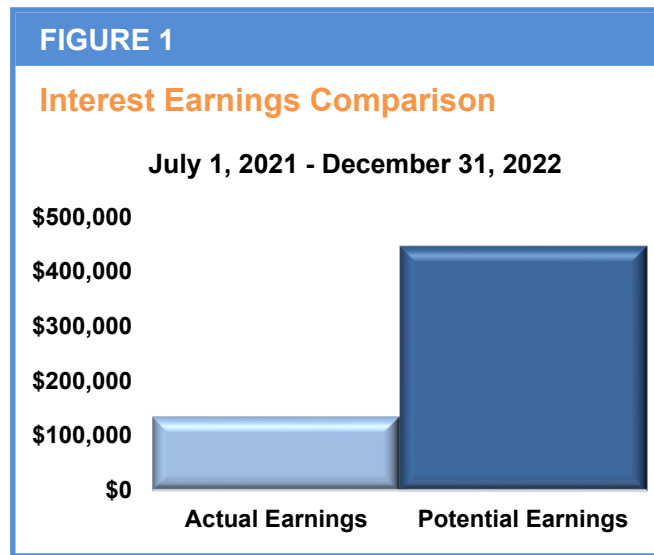
...[O]fficials did not ensure monthly cash flow forecasts to estimate funds available for investment were prepared or interest rate quotes to maximize interest earnings were actively solicited.

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

The Board approved the use of the Investment Fund in July 2022 to invest available BOCES funds. However, the Investment Fund account was not established until November 2022. Had written procedures over the investment program been established, guidelines may have been in place to assist the Treasurer with actively soliciting interest rate quotes from multiple financial institutions along with estimating and investing available BOCES funds.

We compared BOCES' rates with the approved Investment Fund option which complied with BOCES' investment policy (Figure 1).²

Had officials estimated funds available for investment and complied with the investment policy's objective for investments to earn the maximum yield possible in a safe and liquid manner, BOCES could have earned \$310,865 more than the \$135,939 of interest BOCES actually earned from July 1, 2021 through December 31, 2022.



Furthermore, the majority of the potential investment earnings of approximately \$222,000 (71 percent) would have been earned if BOCES officials had invested in the approved Investment Fund soon after the Board approved the use of the Investment Fund.

Because officials did not develop and manage a comprehensive investment program, BOCES missed an opportunity to realize additional revenues. Because interest rates regularly change, to maximize future interest earnings officials should develop and manage a comprehensive investment program including establishing adequate procedures consistent with the investment guidelines.

During our audit fieldwork, BOCES officials began investing \$40.9 million in available operating funds and reserves in the Investment Fund. From January 9, 2023 through February 15, 2023 (the end of our audit period), BOCES received interest totaling \$98,416.

² This option 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.

What Do We Recommend?

The Assistant Superintendent and BOCES officials should:

1. Develop written procedures for the operation of the investment program which includes preparing monthly cash flow forecasts that estimate available funds for investment.
2. Ensure interest rates are periodically solicited and investment information obtained to ensure available funds are invested in legally permissible investments to maximize interest earnings.

Appendix A: Response From BOCES Officials



Matthew L. Cook, Ed.D.
District Superintendent
Ph: (315) 433-2602
mlcook@ocmboces.org

May 3, 2023

Office of the State Comptroller
Division of Local Government and School Accountability
Syracuse Regional Office – Rebecca Wilcox, Chief of Municipal Audits
State Office Building – Room 409
333 East Washington Street
Syracuse NY 13202-1428

Re: Response to draft Report of Examination 2023M-40, Cash Management

Dear Ms. Wilcox:

This letter is to acknowledge Onondaga Cortland Madison (OCM) BOCES' receipt of the Office of the State Comptroller's Report of Examination 2023M-40, Cash Management.

OCM BOCES accepts the recommendations provided by the Comptroller's Office and has begun developing and documenting procedures consistent with the areas noted in the report.

We would like to thank the Comptroller's Office for their efforts and for bringing these recommendations to our attention during the audit process.

Sincerely,

Matthew L. Cook, Ed.D.
District 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 BOCES officials and reviewed BOCES' investment policy and financial records to gain an understanding of BOCES' cash management procedures. This included inquiries regarding the Board's annual review of the investment policy, the preparation of cash flow forecasts and soliciting interest rate quotes from financial institutions.
- We reviewed bank statements for operating fund and reserve bank accounts from July 1, 2021 through December 31, 2022 and analyzed the corresponding cash balances to determine the funds that were available to be invested each month. We used the lowest available balance on the bank statement as the funds that were available to be invested each month.
- We calculated the amount of interest earnings that could have been realized by BOCES had BOCES officials invested available funds each month in the Investment Fund. We used our professional judgment to select this investment option because it did not require minimum investment amounts, allowed funds to be withdrawn at any time without penalties and fees and made their daily interest rates publicly available.
- We compared our calculated monthly interest earnings that could have been realized to the interest earnings actually realized by BOCES for each investment option.

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 must 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 to BOCES' website 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

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.ny.gov

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