



Village of Corinth

Investment Program

2023M-146 | April 2024

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Report Highlights

Village of Corinth

Audit Objective

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

Key Findings

Village officials did not develop and manage a comprehensive investment program. During the 12-month audit period, the Village earned \$1,516 from money on deposit in the Village's two checking accounts, which had an average monthly available balance of \$4.8 million. Had officials considered other legally permissible investment options, the Village may have earned an additional \$148,755 in interest earnings. Village officials did not:

- Solicit interest rate quotes or prepare monthly cash flow forecasts.
- Consider other legally authorized investment options when investing available funds.

Key Recommendations

- Develop and manage a comprehensive investment program that considers all four objectives of a comprehensive investment program - legality, safety, liquidity and yield.
- Prepare monthly cash flow forecasts to estimate available funds for investment, monitor investments and periodically solicit interest rate quotes.

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

Audit Period

June 1, 2022 – May 31, 2023

Background

The Village is located in the Town of Corinth in Saratoga County and is governed by an elected Board composed of a Mayor and four Trustees.

The Board is responsible for the general management and oversight of Village operations and finances. The Mayor is the chief executive officer responsible for the Village's day-to-day management under the Board's direction.

The Board-appointed Treasurer, as chief fiscal officer, is responsible for investing and depositing all Village money.

The Village has funds on deposit at one financial institution. Bank accounts are maintained for operating funds, payroll, capital projects, economic development activities, capital reserve funds and special grant funds.

Quick Facts

2023-24 Appropriations	\$3.3 Million
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June 1, 2022 – May 31, 2023

Interest Earnings on the Two Checking Accounts Reviewed	\$1,516
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Average Available Funds for Investing	\$4.8 Million
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Investment Program

What Is a Comprehensive Investment Program?

A village board 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 local governments.

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 of a formal investment policy in accordance with New York State General Municipal Law (GML) Section 39,¹ detailing 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 must 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 interest in investments.

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.

In addition, procedures should include specific actions for officials to take to achieve high investment 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.

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 Develop and Manage a Comprehensive Investment Program

Officials did not develop and manage a comprehensive investment program or ensure steps were taken to realize higher investment earnings considering increased interest rates and available investment opportunities. Had officials considered other legally authorized investment options, officials may have earned \$148,755 more than the \$1,516 the Village actually earned from June 1, 2022 through May 31, 2023.

The Board-adopted and annually reviewed investment policy authorized the Treasurer to administer the investment program within the primary objectives of legality, safety, liquidity and yield. However, the policy did not include written procedures for monitoring investments, standards for diversification or standards for any institution the Village conducts business with.

The Treasurer did not prepare monthly cash flow forecasts to estimate funds available for investment or solicit interest rate quotes to obtain additional investment earnings. Furthermore, officials did not consult with their current financial institution to determine whether other investment opportunities were available that would obtain additional investment earnings while satisfying the Village's risk tolerance and liquidity needs.

Village officials maintained funds not readily needed for operations in two interest-bearing checking accounts at one financial institution. These accounts had an average monthly balance of \$4.8 million which earned monthly interest averaging .03 percent. The Village realized interest earnings totaling \$1,516 on these two accounts during the audit period.

Although the Treasurer invested the available funds in permissible accounts, the Treasurer did not consider alternative investment options to achieve additional interest earnings. In addition to the Village's current financial institution offering accounts with higher available interest rates ranging between .60 percent and

Had officials considered other legally authorized investment options, officials may have earned \$148,755 more than the \$1,516 the Village actually earned. ...

4.85 percent during the audit period, we identified another financial institution² that also offered higher available interest rates ranging between .58 percent and 4.73 percent. The Treasurer did not monitor interest rate trends and did not invest available funds, averaging \$4.8 million per month, into accounts with higher interest rates. If the Treasurer ensured a competitive rate of return, the Village may have earned as much as \$148,755 more in additional interest earnings than the \$1,516 of interest earned during the audit period (Figure 1).



Had officials established a comprehensive investment program, including written procedures to provide specific actions to earn higher investment earnings, they may have realized additional revenue to help fund Village operations.

What Do We Recommend?

The Board and Treasurer should:

1. Develop and manage a comprehensive investment program which should include, among other things, written procedures for monitoring investments, standards for diversification or standards for any institution the Village conducts business with.

² 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.

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2. Prepare monthly cash flow forecasts that estimate the amount of funds available for investment.
 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

Village of Corinth

Michael Bedell
Dean Brown
Timothy Halliday
Maureen Kelly
Trustees

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Charles Pasquarell
Mayor

Nicole M. Colson
Clerk / Treasurer
Annaliese Stautner
Deputy Clerk / Treasurer

February 23, 2024

Office of the State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801-4396

Re: Village of Corinth Response and Corrective Action Plan
Investment Program Report #2023M-146

The Village of Corinth officials appreciate the recent evaluation of our Investment Program. We are grateful for the assistance of the assigned OSC auditors in finding better opportunities for increasing investment rate of return. Changes in investment funds have already been implemented as a result of their suggestions. Below is the Village's Corrective Action Plan in response to the audit's recommendations:

Audit Recommendation #1: Develop and manage a comprehensive investment program which should include, among other things, written procedures for monitoring investments, standards for diversification or standards for any institution the Village conducts business with.

Implementation: The Village is in the process of developing written procedures and standards as suggested and as found in the Local Government Management Guide. These procedures and standards will be incorporated into the Village's Investment Policy and adopted by the Board at the April 1, 2024 Organizational Meeting.

Audit Recommendation #2: Prepare monthly cash flow forecasts that estimate the amount of funds available for investment.

Implementation: The Clerk-Treasurer will prepare a monthly cash flow forecast in conjunction with the 2024-2025 Village Budget and will update the document accordingly throughout the fiscal year. This process will be incorporated into each year's budget monitoring.

Audit Recommendation #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.

Implementation: The Clerk-Treasurer has researched available higher interest options and has invested excess funds as of August 2023 in a high yield clearing account. Monitoring will include soliciting quotes

from other financial institutions for rates on investment opportunities on a periodic basis as well as adjusting investment balances as excess funds are identified.

The draft audit report has been reviewed by all five Board members and the Corrective Application Plan detailed herein has received the full Board's approval.

Sincerely,



Charles Pasquarell
Mayor

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and reviewed the Village's investment policy and financial records to gain an understanding of the Village's 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 other financial institutions.
- We reviewed bank statements for operating fund bank accounts and reserve fund bank accounts during the audit period and analyzed the corresponding cash balances to determine the funds available to be invested each month during the audit period.
- We calculated the amount of investment earnings that the Village may have realized during the audit period had officials invested the available funds in other investment options. We then compared our calculated amount of investment earnings that may have been realized to the Village's actual interest earnings 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. 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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

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Contact

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