



Schenectady County

Investment Program

2025M-5 | August 2025

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Audit Results

Schenectady County



Audit Objective

Audit Period

Did Schenectady County (County) officials develop and manage a comprehensive investment program?

January 1, 2023 – October 31, 2024

Understanding the Program

A comprehensive investment program should serve four basic objectives – legality, safety, liquidity and yield. A comprehensive investment program is used to establish basic procedures, assure that investment assets are adequately safeguarded, establish and maintain internal controls and proper accounting records to provide accurate reporting and evaluation of investment results. During our audit period, the County maintained an average available for investment balance of \$134.9 million among three bank accounts earning from no interest to 2.8 percent interest.

Audit Summary

While the County's investments were generally legal, safe and liquid, County officials did not develop and manage a comprehensive investment program. Officials also did not monitor investments, formally solicit interest rate quotes or consider other legally permissible investment options. In addition, County officials did not create a comprehensive investment program with written procedures for the investment of County funds and did not prepare monthly cash flow forecasts or otherwise monitor investments to estimate funds available for investment.

The County maintained most of its available-for-investment funds (monthly average of \$112 million) in a money market account at a banking institution. The account had an interest rate of 0.4 percent which was seven times lower than the interest rate (monthly average 2.8 percent) of another money market account the County had at a different financial institution. Furthermore, other investment options providing significantly higher interest rates were available to County officials.

Had officials managed a comprehensive investment program, solicited interest rate quotes and deposited funds into a bank account or an investment option already used by the County, officials may have realized additional earnings ranging from \$5.1 to \$10.6 million. Because County officials did not develop and manage a comprehensive investment program or written procedures to provide specific actions to take – including how much of the available funds to invest – officials missed an opportunity for the County to realize additional revenues, which would benefit County operations and potentially reduce the financial burden for County taxpayers.

After we started the audit, the County Legislature (Legislature) adopted an investment policy, which delegated the responsibility for the administration of the investment program to the Commissioner of Finance. The policy required the Commissioner of Finance to establish written procedures for the operation of the investment program. However, as of October 31, 2024, the Commissioner of Finance had not established any written procedures, such as preparing monthly cash flow forecasts to estimate funds available for investment.

The report includes six recommendations that, if implemented, will improve the County's investment practices. County officials generally agreed with our recommendations, and their response is included in Appendix B.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and New York State Office of the State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law (GML). Our methodology and standards are included in Appendix C.

The Legislature 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 GML. 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 Legislature to make the CAP available for public review in the County Clerk's office.

Investment Program Findings and Recommendations

Investing involves both opportunities and risks, and officials must ensure the safety of public funds while striving to achieve investment earnings. 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 counties.

More details on the criteria used in this report, as well as resources/publications we make available to local officials that can help them improve operations (Figure 2), are included in Appendix A.

While we discussed minor concerns with County officials, the County's investments were generally legal, safe and liquid.

Finding 1 – County officials did not monitor investments, formally solicit rate quotes or consider other legally permissible investment options.

From January 2023 through October 2024, the County earned \$1.8 million in investment earnings from funds maintained in three bank accounts.

County officials maintained most of the County's funds in a money market account at a banking institution earning 0.4 percent interest. The average monthly balance available for investment from this account was \$112 million.¹ The bank account had minimal activity as the County used it as an investment and only transferred funds in and out of the account based on operational needs.

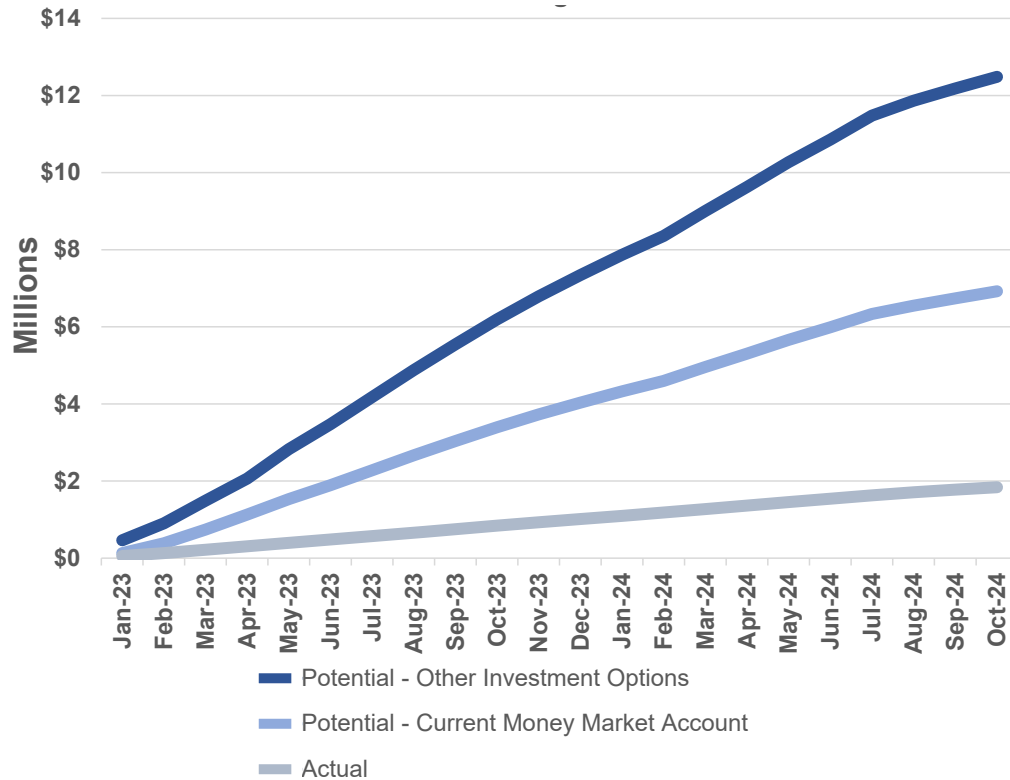
The County maintained two other bank accounts at another financial institution: a money market account earning an average monthly interest of 2.8 percent with an average monthly balance of \$18.8 million; and a non-interest-bearing checking account with an average monthly balance of \$4.1 million. During our audit period, there was no activity in either account except for a \$3 million transfer in August 2023 from the non-interest-bearing checking account to the money market account.

As a result, we determined that the balances from these three accounts were available for investment because they were not needed for operations. Had officials invested the \$134.9 million monthly average available funds in the County's current money market account (with an average monthly interest of 2.8 percent), they may have increased the investment earnings by approximately \$5.1 million or more than five and one half times the amount the County earned (Figure 1).

As an alternative, had officials invested the available funds in other investment options available through their financial institution or in other investment options at different financial institutions, they may have increased the investment earnings by more than \$10.6 million (Figure 1).

¹ See Appendix C for detailed methodology.

FIGURE 1: Comparison of Actual to Potential Investment Earnings^a



a) OSC's audit findings and discussions should not be considered an endorsement of any particular investment option, investment advice or specific investment decisions. While the figure includes a representation of the potential investment earnings associated with the County's current money market accounts and other potential investment options, it is incumbent on municipal officials to determine which investment options are in the County's best interest and the interests of its taxpayers by balancing legality, liquidity, safety and yield.

County officials maintained alternative investments in their financial institution with a monthly average par value of \$29 million from January 2023 through July 2024. However, after we met with officials in July 2024 to discuss the lack of an investment program and the County's investment earnings, officials invested an additional \$45 million in this investment option in August 2024. As a result, the County earned over \$0.5 million in investment earnings from the additional investment for the period August 2024 through October 2024.

The County Manager and the Commissioner of Finance told us that they were aware of other investment options but could not provide a reasonable explanation why they did not solicit interest rate quotes or invest available funds to realize higher investment earnings.

Recommendations

1. The Legislature and County officials should 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 County operations and taxpayers.
2. The Legislature should monitor the investment activities to ensure County officials comply with the County's investment program.

Finding 2 – The Commissioner of Finance did not develop and manage a comprehensive investment program or establish written investment procedures.

In May 2024, the Legislature adopted an investment policy which delegated the responsibility for the administration of the investment program to the Commissioner of Finance. The policy required the Commissioner of Finance to establish written procedures for the operation of the investment program. However, as of October 31, 2024, the Commissioner of Finance had not established any written procedures, such as preparing monthly cash flow forecasts to estimate funds available for investment. The County Manager and Commissioner of Finance could not provide a reasonable explanation why written investment procedures and cash flow forecasts were not prepared.

Because officials did not develop and manage a comprehensive investment program or written procedures to provide specific actions to take – including how much of the available funds should be invested – officials missed an opportunity for the County to realize additional revenues which would benefit County operations and potentially reduce the financial tax burden for County taxpayers.

Recommendations

3. The Commissioner of Finance should develop and manage a comprehensive investment program which includes written procedures for the investment program's operation in compliance with the adopted investment policy.
4. The Commissioner of Finance should prepare monthly cash flow projections that estimate available funds for investment.

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5. The County Manager should monitor the investment program and ensure compliance with the investment policy requirements.
 6. The Legislature should annually review, make any necessary changes, and re-adopt its investment policy as required.

Appendix A: Profile, Criteria and Resources

Profile

The County is located in eastern New York, in the Capital region. The County is governed by the Legislature, composed of 15 elected Legislators. The County Manager is the chief executive officer and is responsible for oversight of County operations. The Commissioner of Finance is the County's chief fiscal officer and manages the County's financial affairs.

During our audit period, the County maintained 80 bank accounts and 13 alternative investments in three financial institutions. As of October 31, 2024, the County had \$103.9 million in 62 bank accounts and \$73.7 million in four alternative investments.

Criteria – Investment Program

A county legislature (legislature) should develop and manage a comprehensive investment program following guidance provided in a publication on our website entitled *Local Government Management Guide (LGMG) Investing and Protecting Public Funds*.² Specifically, officials should:

- Develop a policy with areas in line with GML Section 39;
- Create procedures for monitoring, controlling, depositing and retaining investments;
- Invest available funds in legally permissible investments;
- Prepare monthly cash flow forecasts to estimate funds available for investment;
- Solicit interest rate quotes from multiple financial institutions; and
- Diversify investments with focus on legality, safety and liquidity of funds and balancing risk.

If a legislature delegates the administration of the investment program to county management, the legislature should create and approve comprehensive written procedures for the investment program's operation that are consistent with policy guidelines.

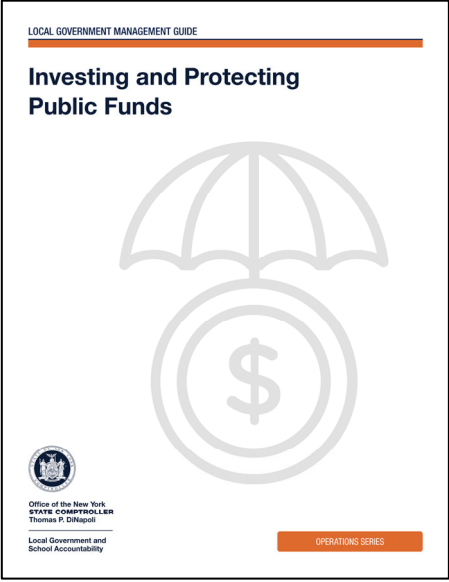
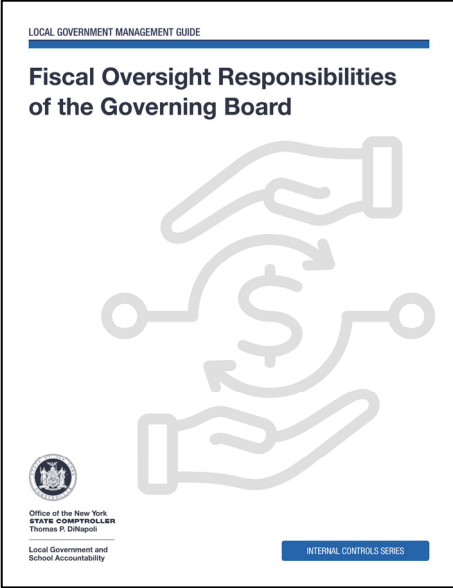
In addition, the legislature must annually review the investment policy in accordance with GML Section 39 and should regularly monitor investments.

² See Figure 2: OSC Publications.

Additional Investment Resources

FIGURE 2: OSC Publications

OSC *LGMGs* and other informational resources are available on our website to help officials understand and perform their responsibilities.

<i>Investing and Protecting Public Funds</i>	<i>Fiscal Oversight Responsibilities of the Governing Board</i>
<div><div>LOCAL GOVERNMENT MANAGEMENT GUIDE</div><div>Investing and Protecting Public Funds</div><div></div><div>https://www.osc.ny.gov/files/local-government/publications/pdf/investing-and-protecting-public-funds.pdf</div></div>	<div><div>LOCAL GOVERNMENT MANAGEMENT GUIDE</div><div>Fiscal Oversight Responsibilities of the Governing Board</div><div></div><div>https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf</div></div>

- *Revenue Enhancement Ideas: Cash Management for Local Governments and School Districts*: <https://www.osc.ny.gov/local-government/publications/revenue-enhancement-ideas-cash-management-local-governments-and-school-districts>.

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From County Officials



COUNTY OF SCHENECTADY

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July 30, 2025

Gary Gifford, Chief of Municipal Audits
Office of the State Comptroller, Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801-4396

**Re: Response to Audit Findings Report – Schenectady County Investment Program
2025M-5**

We would like to thank the Office of the State Comptroller (OSC) for your efforts in performing a thorough and comprehensive risk assessment of the County's financial health, policies, and practices. I would also like to acknowledge the skill, professionalism, and flexibility of the staff assigned to this review for over a year. It was a pleasure to work with them, and we have implemented many of their suggestions into our workflow.

We are pleased that the County-wide assessment resulted in only one specific financial audit (banking and investment earning), and this letter serves as our official response to your resulting recommendations.

While we believe that we have been good stewards of the county's finances and taken significant steps to save taxpayers money through initiatives such as our various healthcare savings efforts, our solar consortium, our use of gaming revenues to pay down existing debt and intergovernmental cooperation agreements, we appreciate your observation that opportunities to generate additional revenue with those savings through banking and investment earnings were missed. We have taken steps to ensure that our management team addresses these issues and implemented procedures to improve the County Legislature's oversight to ensure these objectives are met.

Schenectady County's responses to OSC recommendations are as follows:

OSC Recommendation 1: "The Legislature and County officials should 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 County operations and taxpayers."

Response to Recommendation #1: As noted in the Audit Summary, the County's investments were found to be legal, safe, and sufficiently liquid. We agree with the Comptroller's finding that taking advantage of rising interest rates and certain investment opportunities could have yielded higher earnings on our cash balances during the audit period (2023-2024).

Although our investment tools are restricted to those outlined in *NYS GML, Section 11* (e.g., governmental bonds, CD's), we are continuously monitoring the yield on our cash balances and will seek opportunities to increase earnings when available. The County in January of 2025 obtained quotes from banking institutions and will continue to review current interest rates annually to ensure our banking institutions are giving us appropriate rates balanced with services provided.

OSC Recommendation 2: "The Legislature should monitor the investment activities to ensure County officials comply with the County's investment program."

Response to Recommendation #2: Currently the Commissioner of Finance distributes a monthly financial report to all members of the County Legislature and provides more specific briefings to members of the Committee on Ways and Means. Based on the OSC audit recommendations, County Finance will add a quarterly update of cash position and investment activities to the existing financial report.

OSC Recommendation 3: "The Commissioner of Finance should develop and manage a comprehensive investment program which includes written procedures for the investment program's operation in compliance with the adopted investment policy."

OSC Recommendation 4: "The Commissioner of Finance should prepare monthly cash flow projections that estimate available funds for investment."

Combined Response to Recommendations #3 and #4: The Finance Department formalized its operational procedures in a written manual in January 2025. Our comprehensive investment program includes specific directives and controls to (1) safeguard cash balances, (2) provide sufficient liquidity to meet current obligations and (3) maximize investment earnings within the parameters NYS General Municipal Law. Note that these procedures include the preparation and review of monthly cash flow analyses.

OSC Recommendation 5: "The County Manager should monitor the investment program and ensure compliance with the investment policy requirements."

Response to Recommendation #5: The County Manager receives written monthly financial reports, as well as frequent updates and projections of cash flow and investment performance.

OSC Recommendation 6: “The Legislature should annually review, make any necessary changes, and re-adopt its investment policy as required.”

Response to Recommendation #6: The County Legislature approved an updated “Investment Policy” (Resolution 83-24) in May 2024 and will review and re-adopt this policy annually.

We found this audit and its recommendations to be constructive in identifying ways to strengthen our investment program.

Sincerely,

Gary Hughes
Chair of the County Legislature

Rory Fluman
Schenectady County Manager

Cc: Geoffrey Hall, Clerk to the Legislature
Jaclyn Falotico, Commissioner of Finance
Julie McDonnell, County Auditor

Appendix C: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective(s) 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(s) and obtain valid audit evidence, included the following:

- We interviewed County officials and reviewed the County's investment policies and financial records to gain an understanding of the County's cash management procedures. This included inquiries regarding the County's investment procedures, preparing cash flow forecasts and soliciting interest rate quotes from financial institutions.
- Using our professional judgment, we reviewed all bank statements and investments for a sample of 10 months within our audit period. We selected the first month of each fiscal year, the last month of each quarter and the last month of our scope period (January, March, June, September and December 2023; and January, March, June, September and October 2024), interviewed County officials and analyzed the corresponding cash balances to determine the bank accounts and investments with potential funds available for investment. Then, from those accounts and investments, we reviewed and analyzed all bank statements and investments for each month from our audit period to determine the funds available for investment each month. We generally used the lowest available balance, adjusted for specific transfers on the bank statement as the funds that were available for investment each month. For the County's investment in alternative investments, we used the purchase amount of these investments as the funds that were available for investment.
- Using our professional judgment, we analyzed five different investment alternatives available to County officials to invest the available-for-investment funds: two separate municipal investment organizations; certificate of deposits and treasury bills available through one of the banks the County does business with; and one bank account the County had during our audit period. We analyzed the interest rates for the different investment alternatives and selected three investment options which would have provided higher investment earnings: a municipal investment organization, treasury bills and one of the current County bank accounts. We calculated the amount of investment earnings that the County may have realized if officials considered the three available investment options and invested all available funds. We compared our calculated monthly investment earnings that may have been realized to the investment earning the County actually realized.
- Using our professional judgment, we reviewed bank deposits and investments to determine whether County officials safeguarded County funds by comparing December 30, 2023 and October 31, 2024 bank balances against pledged collateral agreements. We selected December 2023 as the fiscal year-end month and October 2024 as the last month within our audit period.
- We reviewed the County's investments during our audit period to determine whether they were legally authorized and sufficiently liquid.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

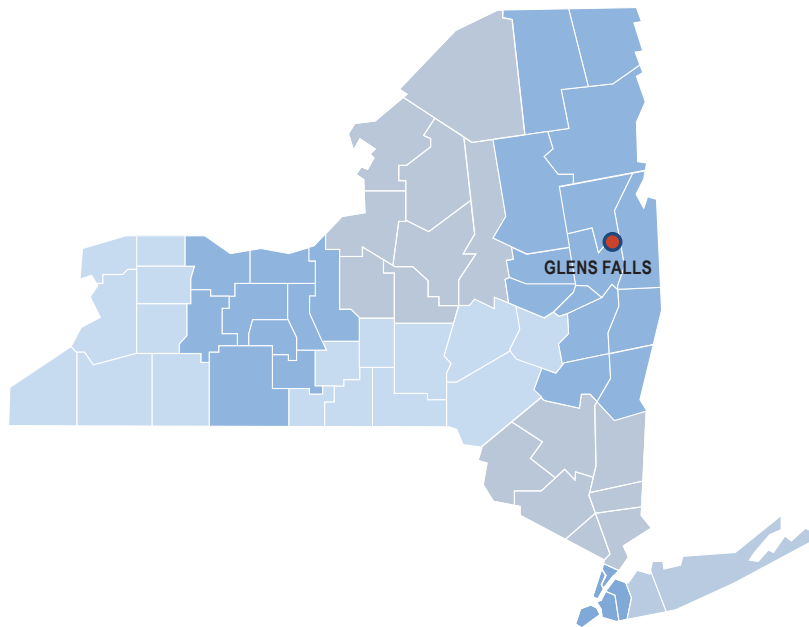
Contact

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