

Village of Greenwich

Cash Management

APRIL 2020



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

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Report Highlights

Village of Greenwich

Audit Objective

Determine whether Village officials maximized interest earnings.

Key Findings

- The Board did not develop and manage a comprehensive investment program to ensure interest earnings were maximized.
- Had officials invested available funds in a financial institution with higher available interest rates, interest earnings could have been increased by approximately \$42,200 during the audit period.

Key Recommendations

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

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

Background

The Village of Greenwich (Village) is located in the Towns of Greenwich and Easton in Washington County.

An elected five-member Board of Trustees (Board), which is composed of the Mayor and four Trustees, is responsible for the general oversight of operations and finances. The Board-appointed Treasurer, as chief fiscal officer, is responsible for receiving, disbursing, investing and retaining custody of Village money and providing financial reports to the Board.

The Village has funds on deposit at one financial institution. Bank accounts are maintained for operating funds, an expendable trust fund and the Village Justice.

Quick Facts

Population	1,780
2019-20 Adopted Appropriations	\$1.8 million
Interest Earnings During the Audit Period (Operating and Expendable Trust Funds)	\$2,305

Audit Period

June 1, 2018 – July 31, 2019

Cash Management

How Do Officials Ensure Interest Earnings Are Maximized?

The board 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),¹ soliciting interest rate quotes from multiple financial institutions, preparing monthly cash flow forecasts to estimate the amount of funds available for investment and investing available funds (within legal limits) in financial institutions offering the highest interest rates balanced with acceptable risk. Once established, the board should monitor the program to ensure interest earnings are maximized.

Officials Did Not Ensure Interest Earnings Were Maximized

The Board adopted an investment policy in May 2016 and annually reviewed the policy as required by GML. However, we found that the Board did not develop and manage a comprehensive investment program to ensure interest earnings were maximized. For example, during the audit period, Village officials did not solicit interest rate quotes from additional financial institutions or prepare any cash flow forecasts to estimate the amount of funds available for investment.

Village officials maintained operating and expendable trust² funds at one financial institution. During the audit period, operating and expendable trust funds were deposited in six interest-bearing checking accounts and two interest-bearing savings accounts with an interest rate of .1 percent, and one non-interest-bearing checking account. As a result, the Village realized interest earnings of \$2,305 related to its operating and expendable trust funds during the audit period.

We identified the funds that were not needed to pay operating expenditures each month and found that the Village could have invested available operating and expendable trust funds averaging approximately \$1.8 million (\$1.2 million in operating funds and \$600,000 in expendable trust funds) in another financial institution at higher available interest rates of between 1.67 percent and 2.33 percent, or an average interest rate of 2.11 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 Village could have invested all funds not expected to be needed for cash flow purposes. If actual cash flow fell behind expectations, money from the invested balances could have been used as needed.

¹ New York State General Municipal Law, Section 39

² The expendable trust funds consisted of a one-time donation to the Village and subsequent recurring royalties to be used to pay for any youth program expenditures incurred.

If officials had invested these funds in this financial institution, interest earnings could have been increased by approximately \$42,200 during the audit period (\$27,700 from operating funds and \$14,500 from expendable trust funds).

Because the Board did not develop and manage a comprehensive investment program, the Village did not realize significant potential revenues.

What Do We Recommend?

The Board should:

1. Ensure interest rate quotes are periodically solicited 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 monthly cash flow forecasts that estimate the amount of funds available for investment.

Appendix A: Response From Village Officials



February 17, 2020

Jeffery P. Leonard
Chief Examiner,
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

Dear Mr. Leonard:

This letter will serve as our response to the Village of Greenwich Cash Management Report of Examination 2019M-230 and will also serve as our Corrective Action Plan.

We have read the Village of Greenwich Cash Management Report of Examination 2019M-230. We are in agreement with your findings and the following responses represent our Corrective Action Plan to the findings:

1. The Treasurer will solicit interest rate quotes from multiple financial institutions on a yearly basis. The rate quotes will be presented to the Board for review.
2. In November 2019, the Board authorized the Treasurer to transition into an Analysis Method with our current banking institution starting January 1, 2020. This method has removed any banking fees associated with the checking accounts, and at the same time earns a higher interest rate over all checking accounts. The Board also plans to explore other ways to increase interest earnings using legally permissible investments per New York General Municipal Law (GML) such as [REDACTED]

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3. Starting January 2020, the Treasurer has included a Monthly Report of the Treasurer that details all moneys received and disbursed within each fund the previous month in addition to the expenditure reports which had been previously provided on a monthly basis. The Treasurer will provide monthly amounts invested from each account, and the amount of interest accumulated.

This audit was very helpful for the Village of Greenwich as we have been looking for ways to maximize our interest within legal limits. We would like to thank the Comptroller's Office for the recommendations given.

Sincerely,

Pamela Fuller
Mayor

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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,³ our audit procedures included the following:

- We interviewed Village officials and reviewed the investment policy and various financial records to gain an understanding of 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 flows forecasts.
- We reviewed all bank statements for Village operating and expendable trust 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 amount of interest earnings that could have been realized during the audit period had the available funds been invested in another financial institution. We selected this financial institution because it did not require minimum investment amounts and allowed for funds to be withdrawn at any time without penalties or fees, and because the daily interest rates during the audit period were publicly available. We then compared our calculated amount of interest earnings that could have been realized to the interest earnings actually realized during our audit period.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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's office

³ We also issued a separate audit report, *Village of Greenwich – Water and Sewer Financial Operations* (2019M-229).

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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Local Government and School Accountability Help Line: (866) 321-8503

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