

# Town of Saranac

## Cash Management

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SEPTEMBER 2019

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

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# Report Highlights

## Town of Saranac

### Audit Objective

Determine whether Town officials maximized interest earnings and minimized bank fees.

### Key Findings

- The Board did not develop and manage a comprehensive investment program to ensure interest earnings were maximized and bank fees were minimized.
- Had the Supervisor invested available funds in a financial institution with higher available interest rates, revenue could have increased by \$56,324 during the audit period.
- The Town incurred bank fees totaling \$3,327 while receiving \$920 in interest earnings during the audit period resulting in a net cost of \$2,407 related to banking services.

### Key Recommendations

- Periodically request proposals for banking services from multiple financial institutions to maximize the return on investments and minimize bank fees.
- Prepare monthly cash flow forecasts that estimate available funds for investment.
- Ensure available funds are invested in a manner, within legal limits, to maximize interest earnings.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The Town of Saranac (Town) is located in Clinton County.

An elected five-member Town Board (Board), which is composed of the Town Supervisor and four Board members, is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for receiving, disbursing, investing and retaining custody of Town money and providing financial reports to the Board.

The Town has funds on deposit at two financial institutions. Bank accounts are maintained for operating and capital projects funds and departmental funds (e.g., Town Clerk, Tax Collector and Town Justices).

#### Quick Facts

Population	4,000
2018 Appropriations	\$2.4 million
Interest Earnings During the Audit Period	\$920
Bank Fees During the Audit Period	\$3,327

### Audit Period

January 1, 2017 – October 31, 2018

# Cash Management

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## **How Do Officials Ensure Interest Earnings Are Maximized and Bank Fees Are Minimized?**

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<sup>1</sup> (GML), requesting proposals for banking services from multiple financial institutions, preparing monthly cash flow forecasts to estimate the amount of funds available for investment and investing funds, within legal limits, in financial institutions offering the highest interest rates commensurate with acceptable risk. Once established, the board should monitor the program to ensure interest earnings are maximized and bank fees are minimized.

## **Officials Did Not Ensure Interest Earnings Were Maximized and Bank Fees Were Minimized**

The Board did not develop and manage a comprehensive investment program to ensure interest earnings were maximized and bank fees were minimized. For example, although the Board adopted an investment policy in April 2014, the Board did not annually review the policy as required by GML and the policy. During the audit period, Town officials did not request proposals for banking services, including available interest rates on deposit accounts and potential bank fees, from any financial institutions<sup>2</sup> or prepare any cash flow forecasts to estimate the amount of funds available for investment.

Consequently, we found that the Supervisor invested the Town's operating funds<sup>3</sup> during the audit period in six money market savings accounts that received monthly interest rates of either .01 percent or .02 percent. As a result, the Town realized interest earnings of only \$920 during the audit period.

We found that the Town could have invested available operating funds averaging approximately \$2.6 million during the audit period in a financial institution<sup>4</sup> with higher available interest rates of between .40 percent and 2.12 percent or an average interest rate of 1.17 percent during the audit period. If the Supervisor had invested these funds in this financial institution, interest earnings could have been increased by \$56,324 during the audit period.

The Town also incurred various bank fees totaling \$3,327 during the audit period. For example, the Town incurred bank fees at one financial institution totaling

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1 New York State General Municipal Law Section 39

2 Town officials last requested proposals for banking services from financial institutions in April 2015.

3 The operating funds include the town-wide general fund, part-town highway fund, two lighting districts and three water districts.

4 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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\$2,269 for monthly collateral charges when bank account balances exceeded \$250,000 and \$125 for monthly charges to receive bank statements that included the check images. Paying more than \$3,200 for banking services is excessive compared to the charges the Town incurred from a second financial institution. During the audit period, the Town paid a second financial institution only \$71 for checks and incurred no additional charges for the same banking services provided by the other bank.

Because the Board did not develop and manage a comprehensive investment program, the Town did not realize significant potential revenues. For example, the Town could have received \$56,324 more in interest earnings had it invested available funds in a different financial institution. Furthermore, the Town incurred \$3,327 in bank fees and received \$920 in interest earnings during the audit period resulting in a net cost of \$2,407 related to banking services.

### **What Do We Recommend?**

The Board should:

1. Annually review the Town's investment policy as required by GML and the policy.
2. Ensure proposals for banking services are periodically requested from multiple financial institutions and negotiate the most favorable terms to maximize the return on investments and minimize bank fees.
3. Ensure available funds are invested in a manner, within legal limits, to maximize interest earnings.

The Supervisor should:

4. Prepare and provide the Board with monthly cash flow forecasts that estimate the amount of funds available for investment.

# Appendix A: Response From Town Officials

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**Nicholas B. Carter**  
*Supervisor*

**Michelle Petrashune**  
*Deputy Supervisor/Councilwoman*

## **TOWN OF SARANAC** *In the Adirondack Mountains*

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*Councilman*

**James Facteau**  
*Councilman*

**Mary Bell**  
*Clerk*

**James Waldron**  
*Highway Superintendent*

September 5, 2019

Jeffrey P. Leonard, Chief Examiner  
One Broad Street Plaza  
Glens Falls, New York 12801-4396

Reference: Audit Response Letter  
Town of Saranac Cash Management  
Report of Examination 2019M-32

Dear Mr. Leonard,

On behalf of the Town of Saranac Board, I want to thank [REDACTED] and his team for their thorough review of the town's cash management program. The process was lengthy and thorough and more importantly educational for all our staff. We are in agreement with your findings and have begun to implement the Key Recommendations. We will address our Corrective Action Plan in a separate letter to you.

For the Town Board of Saranac  
Sincerely,

Nicholas B. Carter

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To file a complaint of discrimination, write: USDA, Director of Civil Rights,  
1400 Independence Avenue, S.W., Washington, D.C. 20250-9410  
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

## Appendix B: Audit Methodology and Standards

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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 Town officials and reviewed the Town's investment policy and various financial records to gain an understanding of the Town's cash management procedures. This included inquiries regarding the Board's annual review of the investment policy, requesting proposals for banking services from financial institutions and the preparation of cash flow forecasts.
- We reviewed all bank statements for Town 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 then calculated the amount of interest earnings that could have been realized by the Town during the audit period had they invested the available funds in a different financial institution. We selected this financial institution because it did not require minimum investment amounts, allowed for funds to be withdrawn at any time without penalties or fees and 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 by the Town during our audit period.
- We reviewed all bank statements for Town bank accounts during the audit period to determine the amount and type of bank fees incurred by the Town.

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.

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 Town Clerk's office.

# Appendix C: Resources and Services

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## **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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

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