

# Town of Mooers

## Cash Management

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**JUNE 2020**

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

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# Report Highlights

## Town of Mooers

### Audit Objective

Determine whether Town officials maximized interest earnings.

### Key Findings

- The Board did not develop and manage a comprehensive investment program to ensure interest earnings were maximized.
- Had the Supervisor invested available funds in a financial institution with higher available interest rates, revenue could have increased by approximately \$31,300 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 in a manner, within legal limits, to maximize interest earnings.

Town officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the Town’s response letter.

### Background

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

An elected five-member Town Board (Board), which is composed of the Town Supervisor (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 one financial institution. Bank accounts are maintained for operating funds, expendable trust funds and departmental funds (i.e., Town Clerk, Tax Collector and Town Justices).

#### Quick Facts

Population	3,600
2019 Adopted Appropriations	\$2.2 million
Interest Earnings During the Audit Period (Operating Funds)	\$255

### Audit Period

January 1, 2018 – November 30, 2019

# Cash Management

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## 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),<sup>1</sup> soliciting interest rate quotes from multiple financial institutions, preparing monthly cash flow forecasts to estimate available funds for investment and investing available funds (within legal limits) in financial institutions offering the highest interest rates balanced with the 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 did not develop and manage a comprehensive investment program to ensure interest earnings were maximized within acceptable risk levels. Although the Board adopted an investment policy in 1988, it did not annually review the policy as required by GML and the policy. During the audit period, Town officials did not solicit interest rate quotes from additional financial institutions or prepare cash flow forecasts to estimate the amount of funds available for investment.

The Supervisor maintained the operating funds<sup>2</sup> at one financial institution. During the audit period, these funds were deposited in two interest-bearing checking accounts that received an interest rate of .01 percent, two interest-bearing money market savings accounts that received interest rates of either .01 percent or .02 percent and one non-interest-bearing checking account. As a result, the Town realized interest earnings of \$255 related to its operating funds during the audit period.

We identified the operating funds that were not needed to pay operating expenditures each month and found that the Town could have invested available funds averaging approximately \$855,000 during the audit period in another financial institution with higher available interest rates of between 1.13 percent and 2.37 percent, or an average interest rate of 1.92 percent during the audit period. This 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.

If the Supervisor had invested these funds in this financial institution, interest earnings could have totaled approximately \$31,600 during the audit period (an increase of about \$31,300).

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<sup>1</sup> New York State General Municipal Law, Section 39

<sup>2</sup> The operating funds include the general fund, highway fund, two lighting districts and one sidewalk district.

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

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

The Board should:

1. Annually review, and update if appropriate, the investment policy, as required.
2. Ensure interest rate quotes are periodically solicited from multiple financial institutions.
3. Ensure available funds are invested, 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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## TOWN OF MOOERS

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May 21, 2020

Gary Gifford  
Chief Examiner  
NYS Office of the State Comptroller  
Division of Local Government and School Accountability  
One Broad Street Plaza  
Glens Falls, NY 12801

RE: Town of Mooers State Comptroller's Audit of Cash Management

Dear Mr. Gifford,

I am writing this letter on behalf of the Town of Mooers. After having our exit interview with [REDACTED] on April 29, 2020 the Town Council and I met on May 12<sup>th</sup> to discuss our response to your report covering the dates of January 1, 2018 through November 30, 2019. We agreed that we would like this response letter to act as our Corrective Action Plan as well.

First, we would like to say again that we are grateful for the wealth of information that was provided to us so that we may better the operations of our Town. We will also be able to maintain a more knowledgeable and accountable administration to the residents of Mooers. We continually strive to serve and serve diligently.

Regarding recommendations 1 – 3, the Board is in full agreement that we should be reviewing our investment policy and possibly updating it annually. We intend to have this review as part of our organizational meeting starting next year in January 2021. The Board has also agreed that it would be prudent to pick two Board members to participate in an annually appointed committee that periodically solicits quotes for better rates at various financial institutions.

It is also our intention to maximize earning potential within legal limits. I do, however, have difficulty believing that we could have gotten the rates brought forth in this report. As of March 2020, our Town financial institution, [REDACTED], has increased our interest rates on our General and Highway checking accounts from .01% to .10% and on our General and Highway Money Market accounts from .01% to .50%. This has made a substantial increase in interest earned.

As for monthly projected cash flow projections mentioned in recommendation 4, this is something that we are looking into and will possibly be implementing sometime over the

See Note 1 Page 6
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summer. During the summer things die down in our accounting department and we should have time to look into the data needed to get this done.

Again, we would like to thank the Office of the State Comptroller's Division of Local Government and School Accountability for their patience and guidance through this Audit process. It was very educating and we will be considering all your suggestions for implementation and correction. Please feel free to let us know of any further action that we could take to remedy our current situation.

Sincerely,

Jeffrey L. Menard  
Supervisor

JLM/rmb

## Appendix B: OSC Comment on the Town's Response

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### Note 1

We identified a specific financial institution for our analysis, which we communicated to officials, with available interest rates of between 1.13 and 2.37 percent, or an average interest rate of 1.92 percent during the audit period. This financial institution did not require minimum investment amounts to receive the publicly available daily interest rates during the audit period and allowed for funds to be withdrawn at any time without penalties or fees.

## Appendix C: 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,<sup>3</sup> 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, soliciting interest rate quotes from financial institutions and the preparation of cash flow forecasts.
- We reviewed all bank statements for the operating fund bank accounts during the audit period and analyzed the corresponding cash balances to determine the amount of funds available to be invested each month during the audit period.
- We calculated the amount of interest earnings that could have been realized by the Town 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 by the Town 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 Town Clerk's office.

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<sup>3</sup> We also issued separate audit reports, *Town of Mooers – Highway Asset Accountability (2020M-35)* and *Town of Mooers – Procurement (2020M-55)*.

## Appendix D: 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

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