

Lake Placid Central School District

Investment Program

2023M-94 | October 2023

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Report Highlights

Lake Placid Central School District

Audit Objective

Determine whether the Lake Placid School District (District) officials developed and managed a comprehensive investment program.

Key Findings

District officials did not develop and manage a comprehensive investment program.

The Assistant Superintendent for Business, Finance and Support Services (Assistant Superintendent) and District officials did not:

- Solicit interest rate quotes or prepare monthly cash flow forecasts.
- Consider other legally authorized investment options when investing available funds. Had officials done so, the District might have earned approximately \$267,000 more in investment earnings than the \$189,305 earned during our audit period.

Key Recommendations

- Periodically solicit interest rate quotes from multiple financial institutions.
- Prepare monthly cash flow forecasts and consider legality, safety, liquidity and yield when investing available funds.

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

Background

The District serves the Towns of North Elba and Wilmington in Essex County. The elected seven-member Board of Education (Board) is responsible for the general management and control of financial and educational affairs.

The Superintendent of Schools is the chief executive officer and along with other administrative staff, is responsible for day-to-day management under the Board's direction.

The Assistant Superintendent is responsible for investment and deposits of all District funds.

The District has funds on deposit at two financial institutions. Bank accounts are maintained for operating funds, payroll, reserves and extra-classroom activities. Investment fund accounts are maintained for scholarship funds.

Quick Facts

Appropriations	\$21 Million
July 1, 2021 – April 30, 2023	
Interest Earnings	\$189,305
Total Average Available Funds for Investing	\$14.2 million

Audit Period

July 1, 2021 – April 30, 2023

Investment Program

What is a Comprehensive Investment Program?

A school district 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 maximizing 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 maximize 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 school district 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 school district's operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of the school district'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 school district transacts business, such as criteria covering creditworthiness, experience and other factors a board would want considered,

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.

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- Standards for written agreements in which investments are made, and
 - Procedures and provisions to satisfactorily secure the school district's financial interest in investments.

In addition, procedures should include specific actions for officials to take to maximize interest 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 interest earnings considering increased interest rates. Had officials considered other legally authorized investment options, officials might have earned about \$267,000 more than the \$189,305 the District actually earned from July 2021 through April 2023.

The Board-adopted and annually reviewed investment policy authorized the Assistant Superintendent to invest District funds to ensure a competitive rate of return. However, the policy did not address the development of, and the Assistant Superintendent did not develop and manage, a comprehensive investment program. He did not ensure monthly cash flow forecasts to estimate funds available for investment were prepared or solicit interest rate quotes to maximize interest earnings. He told us that he had discussions with another financial institution in September 2022, but he did not formally request a proposal for investment services.

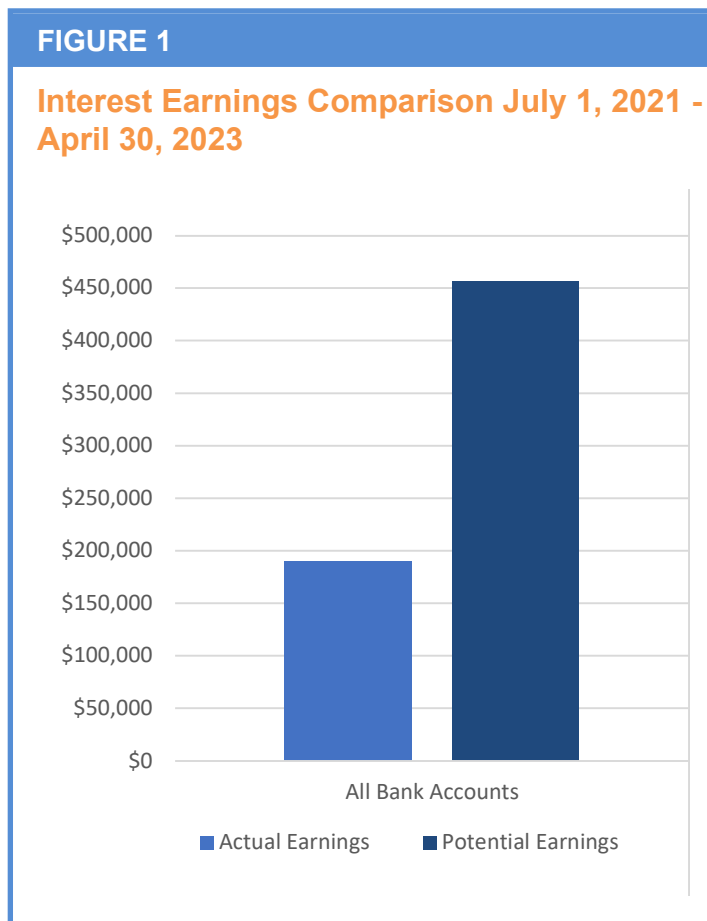
The Assistant Superintendent maintained funds not readily needed for operations in four interest-bearing savings accounts at one financial institution. These interest-bearing accounts consisted of one insured cash savings account with an average monthly balance of \$12,744,103 which earned monthly interest averaging 0.77 percent and three reserve funds savings accounts with a total average monthly balance of \$1,673,907 that earned a quarterly interest rate of

Had officials considered other legally authorized investment options, officials might have earned about \$267,000 more than the \$189,305 the District actually earned. ...

0.02 percent. The District realized interest earnings totaling \$187,052 on these four accounts during our audit period.² In addition, the District maintained 17 scholarship accounts in a cooperative municipal investment fund (investment fund) at another financial institution with a total average monthly balance of \$64,606, which earned an average monthly interest rate of 1.60 percent. The District realized interest earnings totaling \$1,948 on these scholarship accounts during our audit period.

Although the Assistant Superintendent invested the available funds in permissible savings accounts, the average monthly interest rate earned on the accounts in the investment fund exceeded the monthly interest rates earned on the savings accounts at the other financial institution. The Assistant Superintendent did not monitor interest rate trends and did not invest available funds, averaging \$14.2 million per month, into accounts with higher interest rates. Had the Assistant Superintendent ensured a competitive rate of return, the District could have earned as much as \$266,979 more than the \$189,305 of interest earned during our audit period for a total of \$456,284 in interest (Figure 1).

Had officials established a comprehensive investment program, including adequate procedures to provide specific actions to earn higher interest earnings, they may not have



² The District earned additional interest of \$305 from the operating, extra-classroom and payroll bank accounts.

missed out on the opportunity to realize additional revenue to help fund District operations.

What Do We Recommend?

The Assistant Superintendent and District officials should:

1. Periodically solicit interest rate quotes from multiple financial institutions.
2. Prepare monthly cash flow forecasts that estimate the amount of funds available for investment.
3. Consider legality, safety, liquidity and yield when investing available funds.

Appendix A: Response From District Officials

Board of Education

President
Daniel Cash
Vice President
Colleen Locke
Ronald Briggs
John Hopkinson
Douglas Lansing
Colleen Skufca
Ryan St. Louis

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Lake Placid, New York 12946
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Business Office Fax: 518-523-4901
www.lpcsd.org

Administration

Superintendent
Timothy Seymour, ext. 3002
Asst. Superintendent for Business
Finance and Support Services
Dana Wood, ext. 3004
District Clerk
Karen Angelopoulos, ext. 3001
Deputy Treasurer
Elizabeth Smith, ext. 3005
Tax Collector
Shelley Light, ext. 3003
Administrative Assistant
Tracey Ridenour, ext. 3010

Lake Placid Central School
Investment Program
2023-M-94

Audit Recommendations:

1. Periodically solicit interest rate quotes from multiple financial institutions.

The district accepts this recommendation and this response also serves as the Corrective Action Plan.

Going forward the Assistant Superintendent for Business will solicit quotes on a yearly basis to ensure district funds are yielding the best possible rates. The Assistant Superintendent has approved the transfer of over ten million dollars out of the ICS and into the higher yield of [REDACTED]. In addition, all restricted reserve funds have been moved from our government savings accounts and into the [REDACTED] funds.

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

The district accepts this recommendation and this response also serves as the Corrective Action Plan.

Starting in November 2023 the Assistant Superintendent will prepare and present a Cash Flow projection monthly to the School Board.

3. Consider legality, safety, liquidity and yield when investing available funds.

The district accepts this recommendation and this response also serves as the Corrective Action Plan.

The Assistant Superintendent will ensure all available funds invested are in the safest possible accounts that yield the highest rate of return.

Dana Wood
Assistant Superintendent for Business, Finance and Support Services

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, our audit procedures included the following:

- We interviewed District officials, reviewed the District's investment policy and financial records to gain an understanding of the District'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 financial institutions.
- We reviewed District's bank and investment statements for all accounts during our audit period and analyzed the corresponding cash balances to determine the funds available to be invested each month during our audit period.
- We calculated the amount of interest earnings that could have been realized by the District had the available funds been invested in accounts with higher interest rates when the average monthly interest rate earned on the accounts in the investment fund exceeded the monthly interest rates earned on the savings accounts at the other financial institution used by the District. We then compared our calculated amount of interest earnings that could have been realized to the District'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 must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/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.state.ny.us/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/academy

Contact

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