

#1 (Rev.1/93) SINGLE PAGE COMMUNICATION TO THE COMMON COUNCIL

TO: THE COMMON COUNCIL:    DATE:            February 17, 2004

FROM:                            DEPARTMENT:    Audit and Control

DIVISION:                      Audit

SUBJECT:    [:    **Buffalo Board of Education**  
                  [:    **State Aid and Grant**  
                  [:    **Cash Management**  
                  [:

PRIOR COUNCIL REFERENCE: (IF ANY)    [:  
Ex. (Item No. xxx, C.C.P. xx/xx/xx)

TEXT: (TYPE SINGLE SPACE BELOW)

The City of Buffalo receives state aid in many forms through the State Education Department.

As the monies are received, these are wired to the City of Buffalo's general fund account on a semi-regular basis. These then become an integral part of the combined City/Board cash flow statements.

**Audit Findings**

The average balances for the periods were consistently in the \$3 -- 5 million range, which certainly would be more helpful to the severe cash; strained City had the centralized unit been able to use these balances sooner.

The deposit of large amounts of money were not moved on a timely basis. These schedules shows amounts in excess of \$10 million and the number of days these were left in this clearing account.

There were 178 occurrences in the three year history where large balances remained in the account. The average number of days where these remained in the account was 3.8 days and a cumulative number of 678 days with balances of the large deposits.

The cost in terms of interest cost to the City at 4% was in excess of \$502,361.00.

Interest rates had been on their lowest historical levels over this period and empirically, the net effect would be larger.

The most critical element here is the effect of the timing and cost of bonds and notes that are impacted by the most efficient knowledge and timing of funds available in advance of decisions to enter the market. This result would be at a different level because the interest rates were in the 4, 5 and 6% range versus leaving funds in an investment account at short-term interest income yields.

**Audit Recommendations**

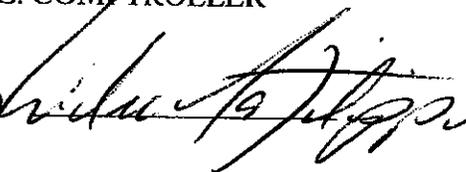
It can not be emphasized enough that cash flow information on the most timely basis for those monies that are applied for and received timely.

This account should be set up to move the monies automatically when received to the main City investment fund account. Whether that is a "zero based" account or some other vehicle, it would eliminate at least a \$4 million fund that could be part of what is invested centrally

TYPE DEPARTMENT HEAD NAME:      ANDREW SANFILIPPO

TYPE TITLE: COMPTROLLER

SIGNATURE OF DEPARTMENT HEAD

A handwritten signature in black ink, appearing to read "Andrew Sanfilippo", written over a horizontal line.