

1-1

RECEIVED
ERIE COUNTY LEGISLATURE
1998 DEC 30 10 09 14

**A RESOLUTION BY MARSHALL, CHASE, GREENAN, LARSON,
RANZENHOFER, & WEINSTEIN**

RE: IMPROVEMENTS IN CASH MANAGEMENT STRATEGY AT ECMC

WHEREAS, a recent audit was performed by County Comptroller Nancy Naples regarding the cash management practices of the Erie County Medical Center (ECMC), and

WHEREAS, the audit reviewed vendor check disbursements for the period of April 1, 1998 through June 30, 1998, and

WHEREAS, according to the Comptroller, ECMC does not maintain available cash balance to pay its creditors. As vendor checks are released, ECMC must borrow from the County's General Fund to cover the checks. In order for the County to have an available cash balance that is sufficient to fund General Fund operating expenses and ECMC operating expenses, the County must issue short term notes in the form of Revenue Anticipation Notes, and

WHEREAS, according to the Comptroller, the timing and frequency of ECMC's borrowing from the General Fund affects the County's investment opportunities and borrowing costs. The County forfeits the opportunity to earn interest on investments of its available cash balance when cash has to be advanced to ECMC. The County also incurs additional interest expense whenever it has to increase the size of its short-term borrowing to fund additional ECMC expenses, and

WHEREAS, the objective of the audit was to determine whether ECMC's current cash management practices cause the hospital to needlessly borrow from the General Fund, thereby causing the County to forfeit investment opportunities and to incur additional borrowing costs, and

WHEREAS, Comptroller Naples observed that ECMC's cash disbursements "are not sufficiently managed and controlled" and that the average payment cycle for all invoices reviewed was approximately 49 days, and

WHEREAS, the lack of a cash management strategy, according to the Comptroller, causes the amount of the General Fund cash advance to ECMC to be higher than it has to be during certain days of the month. This forces the County to size the County's short-term borrowing program higher than it has to be, causing greater interest expense and also results in less investment opportunities for the General Fund, and

WHEREAS, Comptroller Naples has stated that a coordinated cash management strategy would benefit both ECMC and the County's General Fund and has recommended the following:

- Establish a payment cycle within industry standards without jeopardizing vendor delivery or available discounts.
- Establish a policy of coordinating the release of vendor checks with intra-month cash receipts.
- Process invoices for payment with a specified "check date" instead of "cycle number." The "check date" should correspond to the established policy.
- All invoices should be date stamped on receipt. The date each invoice is received should be entered in the "Power Center" system to facilitate determination of the payment cycle time.

NOW, THEREFORE, BE IT

RESOLVED, that the Erie County Legislature does hereby support the findings in Comptroller Naples' audit of the Erie County Medical Center Healthcare Network's cash management practices, and be it further

RESOLVED, that the Erie County Legislature does hereby states is desire to increase the County's ability to earn interest on its investments and to reduce the cost of its short-term borrowings through the implementation of better cash management practices at ECMC, and be it further

RESOLVED, that the Erie County Legislature does hereby urge Mr. Paul Candino, Chief Executive Officer, ECMC Healthcare Network, and Mr. Mark Zygaj, Chief Financial Officer, ECMC Healthcare Network, to work with the Comptroller and County Budget Director to establish a workable cash management practices at ECMC that satisfy the four aforementioned stated recommendations, and be it further

RESOLVED, that a certified copy of this resolution be forwarded to Mr. Paul Candino, Chief Executive Officer, ECMC Healthcare Network, and Mr. Mark Zygaj Chief Financial Officer, ECMC Healthcare Network, Comptroller Nancy Naples, Budget Director Kenneth Kruly, all members of the ECMC Board of Directors and County Executive Dennis Gorski.

FREDERICK J. MARSHALL
13th District

JEANNE Z. CHASE
12th District

JOHN W. GREENAN
9th District

DALE W. LARSON
17th District

MICHAEL H. RANZENHOFER
16th District

BARRY M. WEINSTEIN, M.D.
15th District