

Boyne City Housing Commission Financial Policies

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ACCOUNTING SYSTEM

A double entry system of accounting is maintained on all funds of BCHC. An accrual basis accounting method is maintained on all funds. Adjustments are made periodically, e.g., when a financial statement is prepared or at year end, to accrue all significant expenses incurred, but not yet recorded.

ACCOUNTS PAYABLE POLICY

It is the policy of BCHC to report all existing vendor account payable liabilities in the financial statements on an annual basis. This policy will ensure that BCHC's year-end submission of the financial data schedule and financial statements are GAAP compliant and provide for more accurate reporting of BCHC's financial position for BCHC's various programs and projects.

BANK ACCOUNT

Bank accounts are established as required by funding requirements. Board approval is required to open or close bank accounts.

BANK RECONCILIATION POLICY

This policy applies to all PHA programs, including federal and non-federal, and programs subject to partnership agreements, regulatory agreements, and/or financial agreements, unless specifically noted in the above-mentioned agreements. Bank statements are provided directly to the Fee Accountant monthly. Each bank account will be reconciled by the fee accountant by the 15th day of the following month. Bank discrepancies will be communicated by the fee accountant to the Director for resolution with the bank. The bank reconciliations will be provided with the monthly fee accounting reports.

BOARD REPORTING POLICY

It shall be the policy to provide the Board with accurate and timely information regarding the activities of BCHC. BCHC must advertise the board meeting date and conduct all board meetings in accordance with the Open Meeting Act. The information provided must be enough for the Board to effectively govern the entity and monitor the implementation of policies. To that end, the following items should be provided as part of a Board reporting package.

- Meeting Agenda (with items requiring Board approval highlighted)
- Minutes from the prior Board meeting
- Financial Statements (for all periods since the last meeting) including:
 - Entity-wide and project/program Balance Sheets
 - Entity-wide and project/program specific Income Statements, including Budget to Actual reports.
- Program Monitoring key performance indicators (KPIs); dashboards; and other summary metrics, which include financial information.
- Director's report
- Notable Items Report
- Supporting documentation for any items that requires Board approval.
- Other reports as requested by the Board.
- Other reports as necessary to meet the Policy Objectives

The **Notable Items** report is part of the Director's report and ensures that high risk/high profile items are brought to the Board's attention. The Notables Items report should include the following items:

- All Adverse Legal Actions, including those actions that are likely to be filed.
- Adverse Contract and Procurement Actions
- Employee Grievances
- Program Participant Grievances
- HUD Reviews / Inspections / Independent Audits

- Other Matters
- Matters that could adversely impact the financial health and /or operations of BCHC.
- Matters that could adversely affect the public reputation of BCHC, including conflicts of interest.
- Major upcoming activity (e.g., audit, re-bid of major contract, etc.)

These matters will be communicated with all Board members during the normal course of business and shall not be limited to only informing specific commissioners.

BUDGETS

Budget Process, Submittal, and Modification: BCHC maintains an annual budget. The budget for all BCHC activities will be presented at a Board meeting for approval. The Board has the authority to approve, modify, or reject the budget. The full budget will be monitored at each monthly Board meeting and any necessary budget revisions will require approval by The Board. It is the responsibility of the Director to submit budgets to the Funding Agencies in a timely fashion per the requirements of each funding source.

CAPITALIZATION POLICY

This policy applies to all programs of BCHC, including both federal and non-federal programs. This policy establishes the capitalization criteria, including the capitalization threshold to distinguish and record certain transactions as a capital asset or as an expense. The following items must be capitalized (i.e., recorded as a capital asset in BCHC's books).

- Land and Building Acquisitions – All land and building acquisitions are to be capitalized regardless of amount.
- Equipment – Equipment purchased or acquired by BCHC with a value of \$600 or more which is not physically attached to BCHC's building structures, and the anticipated life or useful value of the equipment is anticipated to be more than one year. The equipment should be recorded as a capital asset.
- Building Improvement and Modernization – Modernization and renovation efforts of BCHC's buildings, systems, and infrastructure, such as parking lots or boiler systems with a value of \$600 or more and it is anticipated that the life of the item is extended by one year or more. The improvement or modernization effort should be recorded as a capital asset.
- Capital leases – Capital leases are those in which BCHC is either leasing to purchase or leasing for the life of the asset. All leases of fixed assets must be differentiated between a regular operating lease and a capital lease. Assets acquired through a capital lease that meet the threshold for capitalization are to be capitalized and tracked as a capital asset.

For purposes of the capitalization policy, stoves and refrigerators are always categorized as non-capitalized assets. The cost of an asset shall be defined using generally accepted accounting principles (GAAP). Assets that have been donated or transferred from another government will be recorded at fair value at the time of donation or transfer.

CHART OF ACCOUNT

A "Chart of Accounts" in the "HUD PHA GAAP Conversion Guide" is used on each fund of BCHC. A detailed Chart of Accounts is to be updated and maintained by the Fee Accountant. The account coding of actual disbursements and receipts must coincide with the account codes used in the budget.

CREDIT CARD POLICY

1. Purpose:

This policy establishes guidelines for the authorized use of credit cards by Boyne City Housing Commission (BCHC) employees to ensure responsible and transparent management of agency funds. This policy aims to provide efficiency in procurement while maintaining strict financial controls.

2. Authorized Users:

- Credit cards will only be issued to employees whose job responsibilities necessitate frequent or recurring purchases, as approved by the Director (ED).

- A list of authorized users will be maintained by the ED based on access to the card or a personal card.
- Authorized users must sign an Agreement acknowledging their understanding and acceptance of this policy.

3. Permitted Uses:

- Travel expenses when pre-approved by the ED.
- Small office supplies and maintenance items when pre-approved or within designated limits.
- Membership fees and subscriptions directly related to agency business.
- Other necessary and reasonable expenses that are pre-approved by the ED.

4. Prohibited Uses:

- Personal expenses of any kind.
- Cash advances.
- Entertainment expenses (unless specifically authorized and pre-approved).
- Purchases exceeding authorized spending limits.
- Purchases that violate federal, state, or local laws.
- Purchases that violate HUD regulations.
- Any expense that cannot be properly documented.

5. Spending Limits:

- Individual credit card limits will be established based on job responsibilities and anticipated spending needs. These limits will be placed on the card directly.
- Daily, weekly, and monthly spending limits may be implemented.
- Any purchase exceeding the authorized limit requires prior approval from the ED.
- Use should be limited to allow for full payment of the balance each month and to not accrue interest/fees.

6. Documentation and Reconciliation:

- Authorized users must retain all original receipts for every transaction.
- Receipts must be submitted to the ED by the end of the month the transaction took place.
- Monthly credit card statements will be reconciled by the ED and reviewed by another employee.
- The ED shall approve all BCHC credit card invoices prior to payment.
- Payments shall be made prior to the due date on the credit card statement.
- Credit card payments are reviewed and ratified by the Commission at their regular meetings.
- Any discrepancies or unauthorized charges must be reported immediately to the ED.
- All receipts must have the following information:
 - Date of purchase
 - Vendor name
 - Itemized list of purchases
 - Amount of purchase
 - Business purpose of purchase

7. Security:

- Credit cards must be kept in a secure location.
- Card numbers and PINs must not be shared.
- Lost or stolen credit cards must be reported immediately to the issuing bank and the ED.
- Online purchases must be made on secure websites.

8. Training:

- All authorized users will receive training on this policy and their responsibilities.
- Refresher training will be provided periodically.

9. Policy Violations:

- Violations of this policy may result in disciplinary action, including revocation of credit card privileges and termination of employment.
- The PHA will also seek to recover any funds spent in violation of this policy.

10. Policy Review:

- This policy will be reviewed and updated periodically by the ED and approved by the BCHC Board of Commissioners.

11. User Agreement:

- All card holders will sign a user agreement that includes the following:
 - Acknowledgement of the credit card policy.
 - Agreement to return the card upon termination of employment or when requested.
 - Agreement to be held personally responsible for unauthorized charges.

CAPITAL FUND PAYMENT PROCESSING AND ACCOUNTING POLICY

The objective of this policy is to ensure the proper payment processing and accounting of Capital Fund Program (CFP) expenditures. It is understood that the CFP funds are limited to being used solely for the development, modernization and operation of Low Rent Housing Program projects as allowed per HUD regulation and the CFP guidebook. Unless specifically allowed by HUD, costs funded by the CFP Program for other programs are strictly prohibited.

CAPITAL ASSETS POLICY

Capital assets are assets where the cost and other criteria meet BCHC's established capitalization policy. These assets are depreciated, tracked, and controlled based on BCHC's depreciation schedule. In addition, capitalized assets are assets whose cost are at least \$600 and have an anticipated useful life of two years or more. Capitalized assets must be tracked through the annual inventory process and verified to BCHC's list of capitalized assets.

Appliances are a subset of non-capitalized assets that will be tracked and verified through the annual inspection process. BCHC shall own all property purchased with PHA funds and all property received as gifts or donations. BCHC shall exercise responsibility for ownership of such property. PHA assets should only be used to conduct official PHA operations. Use of PHA equipment for personal use is strictly prohibited. In addition, use of assets will only be allowed by the project or program which purchased the asset. This policy applies to all PHA programs, including federal and non-federal programs. Programs that are managed by a third-party entity where the partnership agreements, regulatory agreements, and/or financial agreements may have their own capital asset policy are the exceptions to this policy.

CHECK WRITING/EFT/ACH POLICY

This policy requires that invoices are properly reviewed and analyzed to determine whether the service or product was properly requested and authorized, that the service or product, including price, is valid and that goods and services have been received. All payments will be approved by the Director or other senior management as designated. Note – When the Director is not available for an extended period of time, BCHC should have on file a written designation letter with the applicable start and end date.

- Payments are to be made in an efficient and timely manner to ensure that no fees or interest penalties accrue.
- Checks are to be paid from the proper bank accounts in the appropriate program from which the expense originated.
- The check writing policy and associated procedures apply to all checks issued by BCHC.
- Checks are to be pre-numbered and used in numerical sequence.
- Checks are to be made payable to specified payees and never to "cash" or "bearer."
- All blank checks will be controlled and safeguarded by the party responsible to prevent unauthorized use.
- The signing of blank checks in advance is strictly forbidden.
- All checks required two signatures.
- All authorized signers must be approved by The Board and be listed on financial institution signature cards.
- The Director may be an authorized signer.
- All Board members will be signers.
- Financial institutions must promptly be notified of all changes of authorized check signers.
- The Director is responsible for auditing the check usage and storage.
- Checks for payment are signed only when supported by approved invoices.
- All documentation that was used to establish the validity of the payment and the checks will be scanned and will be filed by numerical check sequence in the designated filing area.

- Staff will ensure that all costs paid are recognized as ordinary, necessary, within the budget, are arm’s length transactions, and do not deviate from established practices of the organization. A cost will be considered reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.
- All expenses shall be reviewed and ratified by the Board at their regular meetings.
- EFT (Electronic Fund Transfers) must never be made between two organizations managed or owned by BCHC.
- The Director has the authority to pay all invoices due with EFT or ACH, which are reasonable and within procurement policy limits without prior approval.
- The Director shall be responsible for all agreements, including payment approval, accounting, reporting, and generally overseeing compliance.
- All expenses shall be reviewed and ratified by the Board regarding EFT related transactions at the next meeting.

CONFLICT OF INTEREST POLICY

This policy establishes a standard of conduct to protect the financial well-being, reputation, and legal obligations of BCHC. This policy also establishes a method to protect BCHC community from questionable circumstances that might arise and to resolve any real or apparent conflicts. This policy shall be used as the criteria for determining conflicts of interest and applying standards of procedures in the event a conflict of interest or a perceived conflict of interest exists. This policy applies to PHA employees and Board members, and all programs administered by BCHC.

- This policy should be read in conjunction with the following documents:
- HUD guidance and requirements for prospective and new Board members
- Board policies, by-laws, or commissioner’s handbook (if applicable)
- PHA contracts
- PHA personnel policy
- PHA employment form for new hires

DEFINITIONS

For the purposes of this policy, the following definitions apply:

- **Conflicts of Interest** – Occurs when a person’s public duties or actions lacks independence or impartiality, either real or perceived, and is unduly influenced by a secondary interest such as financial gain, professional advancement, or a wish to do favors for family and friends.
- **Apparent Conflicts of Interest** – The conflicts exists when there is a perception of conflicts regardless of whether a secondary interest actually influences a person. If the circumstances are reasonably believed (on the basis of past experience and objective evidence) to create a risk that decisions made may be unduly influenced by other interests, then a conflict does exist.
- **Nepotism** – is the practice of showing favoritism to relatives or close friends through employment or by appointing them to public position.
- **Immediate Family Member** – “First-degree” relationships are considered immediate family members under both the public housing and Housing Choice voucher programs – includes father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother or half-sister. For the Housing Choice Voucher Program, “second-degree” relationships, e.g., grandparents, grandchildren including step/half grandparents and step/half grandchildren, are also considered to be immediate family members.

BCHC adopts all HUD provisions for conflicts of interest into its own policy, including nepotism for the public housing and HCV programs, and additional conflicts of interest requirements for landlords/owners that participate in the HCV program as summarized below.

HUD Requirement - Conflicts of Interest for Public Housing and HCV Programs

BCHC may not enter into any contract or other arrangement in which any covered individual or immediate family member has a direct or indirect interest while the person is a covered individual and for one (1) year thereafter.

Covered individuals include the following:

- Current or former Board member.
- Current or former PHA employee who makes policy or has influence on decisions with respect to the properties.
- Current or former public official, members of local governing body or State/local legislator or any public official who exercises functions or responsibilities with respect to BCHC properties/programs.
- Member of U.S. Congress (applies to the Housing Choice Voucher program only).
- The conflicts of interest prohibition are in effect during the covered class's tenure and for one (1) year thereafter.
- The conflicts of interest prohibition apply to immediate family members for the aforementioned class of people.
- A current or prospective conflict of interest must be disclosed to BCHC and HUD.

Waiver – A conflict of interest may be waived by HUD for good cause, if permitted under State and local law.

While the waiver is under consideration by HUD, the person for whom a waiver is requested may not exercise responsibilities or functions related to the waiver request.

HUD Requirement – Nepotism

HUD prohibits a PHA from hiring an employee in connection with a project under the Annual Contributions Contract, if the prospective employee is an immediate family member of:

- A present or former member or officer of the Board.
- An employee of BCHC who makes policy or influences decisions; or
- A public official, member of local governing body, or state or local legislator who exercises functions or responsibilities with respect to projects or BCHC.
- The nepotism prohibition is in effect during the covered class's tenure and for one (1) year thereafter.
- The nepotism prohibition applies to immediate family members for the aforementioned class of people.

Waiver – A waiver can be permitted for good cause, provided that a waiver is permitted under State and local law.

Note – HUD's General Counsel regards nepotism to be a type of conflict of interest. As such, PHAs must seek a waiver request from HUD.

HUD Requirement – Conflicts of Interest for HCV Owners/Landlords

The following conflicts of interest provisions are applicable to owners and landlords of units under the HCV program.

- Current or former Board members, public officials, members of U.S. Congress, or PHA employees with policy or decision-making authority, and their immediate family members cannot be an owner/landlord in the HCV program.
- The owner/landlord is prohibited from living in the assisted unit.
- The owner/landlord is prohibited from renting to immediate relatives, grandparents, grandchildren, stepfamily, or in-laws. The exception is for a household member with a disability.

The same HUD requirements are codified into BCHC's policy and for ease of understanding, the requirements are further organized into the following two categories: 1) Conflicts of interest requirements that apply to the Board and public officials, and 2) Conflicts of interest requirements that apply to the Director and all other PHA employees.

PHA Policy – Board Members and Public Officials

The following conflicts of interest guidance are applicable to the Board and public officials and are based on the more stringent of HUD or state/local law. During the Board member or public official's term and for one (1) year thereafter, The Board member or public official cannot enter into a contract or arrangement with BCHC, either as a contractor or a subcontractor (directly or indirectly).

- The **immediate family member** of a Board member or public official cannot enter into a contract or arrangement with BCHC, either as a contractor or a subcontractor (directly or indirectly).
- An **immediate family member** of a Board member or public official cannot be an employee of BCHC.
- The Board member or public official must disclose to BCHC if an immediate family member is or will be a tenant in BCHC's public housing or Housing Choice Voucher program.
- **(HCV Only)** A Board member, public official, or member of U.S. Congress cannot serve as an owner or landlord in the HCV program.
- **(HCV Only)** The **immediate family member** of a Board member, public official, or member of U.S. Congress cannot serve as an owner or landlord in the HCV program.

PHA Policy – Director and PHA Employees

The following guidance applies to Director and PHA employees that have policy or decision-making duties. In general, PHA employees that have supervisory duties are considered to have policy or decision-making duties and would include the following positions: Deputy Director, Finance Director, Modernization Supervisor, Procurement Director/Manager, HCV Director/Program Manager, Public Housing Director/Program Manager, and Project/Property Managers. The conflicts of interest prohibitions are in effect for the duration of the Director or employee's employment at the agency and for one (1) year after and provides that:

- The Director or PHA employee with policy/decision-making duties cannot enter into a contract or arrangement with BCHC either as a contractor or a subcontractor (directly or indirectly).
- The **immediate family member** of the Director or PHA employee with policy/decision-making duties cannot enter into a contract or arrangement with BCHC, either as a contractor or subcontractor (directly or indirectly).
- An **immediate family member** of the Director or PHA employee with policy/decision-making duties cannot be an employee of BCHC.
- The Director or PHA employee, irrespective of whether the employee has policy/decision-making duties, must disclose to BCHC if an immediate family member is or will be a tenant in BCHC's public housing or HCV program.
- **(HCV Only)** The Director and any PHA employee, even those without policy/decision-making duties, cannot enter into a HAP contract with a PHA.
- **(HCV Only)** The **immediate family member** of the Director or PHA employee, even those without policy/decision-making duties, cannot enter into a HAP contract with a PHA.

PHA Policy – Administrative Requirements

BCHC will remedy all conflicts of interest, except where BCHC has obtained a waiver from HUD for the conflict of interest. All conflicts of interest, apparent conflicts of interest and potential conflicts of interest will be brought to the attention of the Board as soon as possible after the discovery is made. To safeguard BCHC, in cases where BCHC is in the process of determining whether a conflict of interest exists or is requesting a waiver from HUD, BCHC will take actions that assume the conflict of interest exists or that the waiver will not be granted. BCHC may only request a waiver from HUD for a conflict of interest when BCHC can substantially minimize or remove the risk of the conflict of interest through the implementation of compensating controls and when remedying the conflict of interest itself will not result in undue administrative and financial hardship to BCHC and its mission.

COST ALLOCATION POLICY

BCHC will maintain a cost allocation plan that meets OMB's requirements (2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). A cost allocation plan will be prepared each fiscal year on the same schedule as the operating budgets. The operating budgets will be based on the new cost allocation plan. The cost allocation plan will be provided and approved by the Board, on the same schedule as the operating budgets. The approved cost allocation plan will be used to allocate costs at the beginning of BCHC's fiscal year.

The cost allocation plan will include the direct and indirect costs for each project and program. **Direct costs** are costs that can be directly traced to a project or program and will be charged to the respective project or program accordingly. **Indirect costs** are those costs that may benefit several projects or programs and cannot be specifically traced to any one project or program: for example, the Director's salary for an agency administering multiple programs.

The cost allocation plan will demonstrate the method used to spread (i.e., allocate) costs to multiple projects or programs. Demonstration includes a description of the methodology(s) to be used, the mathematical calculation(s) and the underlying data used in the calculation. The cost allocation plan and documentation will be maintained in accordance with BCHC's documentation retention policy and treated as an accounting record.

To ensure costs are allocated in a fair and equitable manner, multiple cost allocation methods (e.g., direct labor hours, work orders, units, etc.) may be used. BCHC shall minimize the number of cost allocation methods that are used but result in an equitable distribution of costs that meet all other OMB and HUD requirements, e.g., supportable and allocating only eligible costs. As a last resort and only taking into consideration-like characteristics that are evident across all programs, can BCHC use the number of units in a program as a method of allocating costs.

If BCHC changes its service delivery model, the cost allocation plan will be reviewed, updated, and implemented. For example, if BCHC receives a new program mid-year, the cost allocation plan will need to be updated to make sure the new program is charged its fair share of indirect costs. BCHC is prohibited from allocating or charging costs based on a methodology that considers the available resources of the programs; such a methodology is non-compliant with OMB rules.

DISBURSEMENT POLICY

This policy applies to all disbursements of BCHC. It is the policy of BCHC to ensure payments for the purchase of goods or services are made in a timely manner in the amount as required under the terms of the contract, agreement, purchase order, etc. The method of disbursement includes payment by check, electronic fund transfer, automated clearing house, and credit card. Proper documentation and approval should be obtained prior to payment of payables to ensure effective controls over disbursement of PHA funds.

DISPOSITION POLICY

This policy applies to PHA property (other than land and buildings) purchased with PHA funds, which had become worn, damaged beyond economic repair, or is obsolete (i.e., no longer useful for the original purpose or that has no use), shall be disposed of in accordance with BCHC's disposition policy. BCHC considers PHA property to be vehicles, maintenance and office equipment, supplies, computers, and computer-related items, appliances, or any other items purchased to meet the goals and objectives of the agency.

- BCHC shall ensure that it receives the best value and the greatest overall benefit for the assets sold.
- Property purchased with PHA funds shall not be sold without prior Board approval and at less than the fair value of the asset.
- For items sold, payment can be received in the form of a money order, cashier, or personal check that is made payable to the housing authority.
- Once PHA property has been sold or otherwise disposed of, it should be removed from the fixed asset list.

DONATIONS

All contributions received will be used as specified by the donor. If the contributor does not specify how the donation is to be spent, the funds will be used to help support general operations.

FINANCIAL CLOSE-OUT AND REPORTING POLICY

The monthly and year-end financial close-out and reporting policy and procedures ensure that accounting transactions are completed within BCHC's financial accounting system so that detailed, accurate, and timely financial statements are available to decision makers. For year-end close-out, the financial reports from the

accounting system must be in sufficient detail to allow for the preparation of the Financial Data Schedule (FDS) and financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Specifically,

- The financial close shall be performed timely following month-end to allow for the preparation of the financial analysis and board reporting in accordance with the respective policies.
- The fee accountant is responsible for the reporting of certain financial information. The reporting of other information, including performance metrics, shall be the responsibility of BCHC using information from BCHC's management information system.
- The Director will provide a schedule for the fee accountant no later than one (1) month before the start of BCHC's fiscal year with the expected dates of the monthly board meetings. The schedule is to ensure that the fee accountant provides the financial statements and other financial information to BCHC in time for review at the board meetings.
- BCHC will prepare one (1) month prior to the start of BCHC's fiscal year, a list of those items to be completed for both the monthly and year-end reporting. The list will be reviewed each month and adjusted as needed.

FINANCIAL ANALYSIS POLICY

This policy applies to the financial reports and analysis of all programs and projects operated by BCHC. Financial analysis shall be performed regularly to determine BCHC's current financial strengths and weaknesses and the relative strengths and weaknesses of the individual projects and programs. A secondary purpose of the analysis shall be to aid management in identifying accounting discrepancies or unrecorded transactions. The analysis should be completed monthly using current financial and non-financial data. The financial reports should be reviewed by the Director and will be provided to the Board as part of the monthly board meeting.

FISCAL YEAR

The fiscal year for BCHC is October 1 to September 30.

FRAUD

Employees are responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Each employee will be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication of irregularity. Fraud includes, but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to BCHC.
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions.
- Profiteering as a result of insider knowledge of BCHC activities
- Disclosing confidential and proprietary information to outside parties
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to BCHC
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any similar or related inappropriate conduct.

The Director has the primary responsibility for the investigation of all suspected fraudulent acts of employees. An employee or Boarder may contact The Board President if there are concerns regarding the Director's or Boarder's suspected fraudulent actions. If investigation substantiates fraudulent activities have occurred, a report will be made to The Board. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and The Board, as will final decisions on disposition of the case.

GENERAL INTERNAL CONTROLS POLICY

BCHC will establish general internal controls that will be applied to all programs to: 1) mitigate the threat of theft, fraud, or misappropriations of company assets, and 2) ensure BCHC administers its programs in a manner to obtain reasonable assurance that the goals and objectives of BCHC and programs are met in a cost-effective way. The internal controls will include procedures related to authorizations, approvals, reconciliations, and monitoring activities designed to safeguard all assets of BCHC. BCHC will ensure compliance with the “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

HAP PROCESSING POLICY

It is the policy of BCHC to ensure HAP payments are accurate, timely, and are eligible to support program participants. BCHC’s internal control policies covers both payments to landlords and the correct calculation of tenant rent to arrive at the landlord HAP amount. HAP payments to landlords involve several processes that must be followed in order to ensure correct and timely payments. The method of HAP disbursements used by BCHC includes payment by check and automated clearing house transactions (ACH). To ensure effective controls for the disbursement of PHA funds, proper documentation should be obtained prior to the payment and processing of HAP payments. Staff who are assigned the responsibility of maintaining tenant files should be properly trained to calculate tenant rent and HAP amounts. Once trained, staff should be kept informed on updates to regulations that affect the procedures for tenant rent and HAP calculations. Note: Refer to PHA’s Tenant Rent Calculation policy and procedures, if necessary.

INVESTMENT POLICY

This policy emphasizes the preservation of capital, liquidity, and maximization of interest earnings as the major objectives of BCHC’s investment policy. Therefore, BCHC shall invest its funds in a manner which will provide the highest investment return with the maximum amount of security, while assuring the availability of cash for daily needs. In making investments, BCHC must consider the following items.

- Safety – Safety shall be achieved by adherence to a HUD approved list of investment types.
- Liquidity – The term of the investments will be structured in accordance with the anticipated cash flows needs of the programs.
- Maximization of Interest Earnings – The goal of BCHC is to maximize the earnings generated from investments while balancing other considerations.
- Location – An attempt shall be made to invest at a local financial institution unless the rates are clearly not considered competitive.
- Administrative Cost – BCHC will consider the administrative work involved when choosing an investment.

Investment types shall be limited to the types prescribed by HUD in PIH Notice 1996-33 Attachment A or as amended by future HUD notices. The investment of choice by BCHC shall be certificates of deposit. All ACC funds are subject to the 100 percent collateralization policy specified in the General Depository Agreement (HUD Form 51999). Other Federal and state funds administered by BCHC are subject to the investment types and collateralization requirements of the respective program.

For other funds, it is BCHC’s general policy that the financial institution invests only in federal or state securities (both insured and un-insured) and require that adequate collateral be pledged for all deposits or investments with financial institutions. Adequate collateral is defined as collateral that exceeds the current Federal Deposit Insurance Corporation (FDIC) insurance coverage limit.

INTER-PROGRAM AND DUE TO / FROM TRANSFERS POLICY

This policy outlines the accounting for inter-program and due to / due from transfers from one project or program to another. Transfer of funds from one project or program to another are allowed in accordance with applicable federal and state laws and regulations. BCHC shall transfer funds from one project or program to another only if the transfer is allowed and approved.

LAND ACQUISITION AND DISPOSAL

In order for BCHC to acquire or dispose of real estate, with or without building, considerations beyond those mandated by HUD procurement policy must be made. Land or real estate may be purchased for BCHC purposes only. Land purchased with federal funds must have a Declaration of Trust executed, recorded with the County, and submitted to HUD. Land purchased with federal funds and recorded under a Declaration of Trust may not be sold or transferred without HUD approval. Land purchased with federal funds and recorded under a Declaration of Trust may not be sold or transferred for less than appraised market value without HUD approval.

HUD may approve the transfer or sale of land at less than appraised market value if the land will be used for an approved community purpose. HUD must approve the sale or transfer for less than market value. If HUD does not approve the sale or transfer, the Board will be held responsible to, out of non-federal funds, pay the difference between the unapproved transfer price and appraised market value. HUD also has the power to sanction the housing Board for non-compliance with their policy and violation of the Annual Contributions Contract. If land is purchased using financing in the form of a note or loan, the note or loan MUST NOT contain setoff provisions enabling the lending institution to seize other assets in order to pay off the loan.

MAINTENANCE INVENTORY POLICY

It is the policy of BCHC to provide a minimal inventory supply to meet routine maintenance requests for work orders and unit turnarounds, to minimize waste, and to safeguard BCHC's cash balance. In addition, BCHC's maintenance inventory policy also places emphasis on implementing procedures to safeguard maintenance materials against theft. The maintenance inventory level shall be based on the storage space available, historical information on the type and quantities of items needed, the general availability of the items, and lead time (i.e., time from placement to delivery of an order).

BCHC should keep records of all items in stock and should know how many items are normally needed, when to reorder, and when and where each item is used. Each item shall be assigned location, part number, and a maximum and a minimum inventory (the latter will indicate the need for reorder). The inventory will be limited to an established minimum number of items with additional items acquired to meet the minimum level through just-in-time shipping to the extent possible. At no time should inventory levels reach more than the maximum number of items required in inventory. Additional items not on the maintenance inventory of established items will be purchased as needed.

PAYROLL PROCESSING POLICY

Management is responsible for the accuracy and timeliness of the payroll data entered into the third-party payroll system. Since employee wages, benefits, and employment taxes are major costs, the accuracy of this data is crucial to the overall accuracy of BCHC's accounting records and financial statements. Payroll will be processed according to BCHC's personnel policy. Other policies that will be used in conjunction with the payroll processing policy includes: 1) disbursement policy; 2) expenditure cycle policy; 3) cost allocation policy; and 4) check writing policy. Payroll advances are not permitted. In addition, extra withholding amounts for savings, Christmas funds, etc., are not permitted.

PHA-PROVIDED CELL PHONES/IPADS/LAPTOPS POLICY

This policy provides guidance regarding the issuance and use of PHA-provided cell phones, iPad, and laptops. BCHC may offer or require that staff use a PHA-provided cell phone and laptop to carry out their duties more effectively. Board members are not to be provided cell phones but may be provided iPad or Laptops if necessary. When BCHC is covering the cost of these items, it is the responsibility of the employee to ensure that these devices are used in a prudent manner and only to support the activities and business of BCHC. PHA resources must not be misused or abused for an employee's personal use or used by anyone other than the employee whose cell phone was issued to. The Director has the authority to access the devices at any time with no advance notice. Employees are also charged with the security and safekeeping of the item. This policy covers all cell phones and laptops issued by BCHC.

RENT COLLECTION POLICY

This policy establishes the policy and procedures for the collection of rent and other charges; late charges and return check assessment; and rent collection processing, reconciliation, and monitoring. Collection of tenant charges is important to the viability of a project. Without a high and timely tenant rent collection rate, a project may not have sufficient cash flow. As a result, BCHC must reduce costs, which may result in adequate maintenance and the accelerated deterioration of the property. It is the policy of BCHC to actively pursue timely and full collection of tenant charges due. Collection of tenant charges will be used to support the projects/program from which the charge occurred. Cash will never be accepted as a form of payment. This policy applies to all programs of BCHC for which tenant charges are collected. This rent collection policy should be read in conjunction with the following policies: 1) write-off and 2) tenant accounts receivable (TAR) processing.

REVENUE CYCLE POLICY – CASH MANAGEMENT AND PROGRAM FUNDING

BCHC shall manage the inflow of resources in a prudent and efficient manner that is compliant with program requirements and cash resources that are not needed in the short term and should be invested. Revenues earned shall be converted into cash as promptly as possible and shall become resources of the program generating the revenue. The source of the revenue is a key factor in determining when the revenue can be converted into cash (i.e., drawn down from HUD or collected from a tenant) and when revenues shall be recognized on BCHC's books of account.

For cash management purposes, revenues and disbursements for different programs will be retained and processed in separate bank accounts. Due to restrictions on the use of Housing Choice Voucher (HCV) HAP funding and administrative fee funding, BCHC will maintain separate bank accounts for HAP and administrative fee activity. For internal financial statement and PHA monitoring, all bank accounts will be shown separately on the financial statements and when aggregated, totals to the amount held at the financial institution. All bank accounts will be reconciled monthly. Resource levels should be monitored monthly on an individual project/program basis to ensure that adequate resources are available and that revenues are promptly converted into cash. The monitoring shall also incorporate decisions on whether to invest or redeem investments to maintain appropriate cash balances.

SECURITY DEPOSIT POLICY

This policy applies to all applicants and residents of the public housing program or other applicable programs operated by BCHC, in which BCHC is required to collect and administer tenant security deposits, except as noted below: This policy does not apply to Housing Choice Voucher participants.

Security deposits will be required for all residents occupying units operated by BCHC. The security deposit will be applied to the payment of past due rent, excess utility charges, late fees, unpaid miscellaneous charges, excessive wear and tear on BCHC-owned furnishings or equipment, damages that BCHC has sustained because of the tenant's non-compliance, and any other charges identified in the dwelling lease and/or ACOP. Security deposits will be used only for the purposes indicated above. A tenant may not move from one unit to another if the original security deposit balance is not paid in full at the time of the move. When a resident vacates, BCHC will deduct any amounts owed from the initial deposit and credit the remainder to the resident's account.

STALE CHECKS

Checks, which have been outstanding for 90 days or more, will be investigated and resolved. Deposits or collection items subsequently charged back by the bank (because of insufficient funds, etc.) or any unusual items are examined and investigated by the Director.

TENANT ACCOUNTS RECEIVABLE PROCESSING POLICY

Tenant accounts receivable balances include monthly dwelling rent, other charges such as late fees, maintenance charges, and fraud recovery. Tenant account balances must be accurately calculated and properly charged to the tenant to properly execute rental agreements and comply with laws and regulations for evictions for non-payment of rent. This policy focuses on the procedures that BCHC needs to have in place to track charges and credits to individual tenant accounts accurately and in a timely manner to ensure that BCHC's financial statements correctly reflect all amounts owed from tenants. BCHC utilizes a HDS record charges and maintains tenant accounts

receivable and security balances. This policy applies to all programs for which tenant charges are recorded for program participants. This tenant accounts receivable processing policy should be read in conjunction with the following policies: 1) write-off and 2) tenant rent collection.

TRANSACTION PROCESSING POLICY

It is the policy of BCHC to capture all financial transactions that affect the financial statements of the agency. The transaction shall be recorded in the general ledger system in the month the transactions occur. The transactions shall be recorded accurately and timely and supported by proper documentation.

- Recorded accurately shall mean that the amount recorded is consistent with the value received or provided and free of accounting, classification, and mathematical errors.
- Recorded timely shall mean that the transaction is recorded promptly upon receiving the necessary documentation or notification.
- Supported by proper documentation shall mean that the amount recorded is consistent with supporting documentation (where required, with appropriate authorizations) and standard accounting practice.

Transactions shall be classified across projects and / or programs as described in the cost allocation plan. Expense classifications shall be consistent with the latest Financial Data Schedule (FDS) line-item definitions published by HUD and the capitalization policy of BCHC.

UNCASHED AND VOIDING OF CHECKS POLICY

Checks may need to be voided from time to time based on a variety of situations. The voiding of a check must be approved by the appropriate personnel and recorded in the general ledger in a timely manner to provide accurate financial statements. The proper program or project from which the funds were initially charged will be credited in the amount of the voided check.

VEHICLE USE POLICY

BCHC will only purchase vehicles for programs as necessary, considering how the use of the vehicle may benefit the program while remaining mindful of BCHC's budget and program funds. A PHA-owned vehicle can only be used for authorized PHA business activities. The vehicle may only be used by the program that funded the purchase of the vehicle. Employees should only use PHA-owned vehicles when it is more cost effective to do so. Operators of the vehicle will use the vehicle in a safe and responsible manner at all times. This policy applies to all PHA-owned vehicles.

WRITE-OFF POLICY

This policy applies to any program where tenants may owe the program for charges consisting of dwelling rent, late fees, damages, etc. once the dwelling unit is vacated or the rental assistance is terminated. It is the policy of BCHC to make every reasonable effort to collect all monies owed for rent, late fees, excess utilities, damages (other than normal wear and tear), and other charges. PHA staff will make every effort to collect these charges promptly when due and will initiate all procedures related to the collection of overdue amounts, including all steps related to the termination and eviction of the tenant for unpaid charges. A write-off of a tenant account receivable may only occur once the unit is vacated. Upon the determination that the vacated tenant account receivable balances likely will not be collected, a list of uncollectable tenant accounts shall be presented to the Board for approval to write off the tenant account balances.