



Baranof Island Housing

Authority

245 Katlian Street

Sitka, AK 99835

COMBINED INTERNAL CONTROL AND INVESTMENT POLICY

INTERNAL CONTROL

I. Purpose Statement:

The internal control policy of Baranof Island Housing Authority (BIHA) shall provide for the safe handling of all cash, grant funds, real and personal property, and other assets, which in turn will minimize the BIHA's risk of loss through fraud, theft, and insufficient records. The Board of Commissioners recognizes the need for and importance of this policy and hereby authorizes and directs the Executive Director and staff to implement and carry out this policy in accordance with NAHASDA, 24 CFR Part 1000, and other applicable requirements.

II. Bank Accounts

All BIHA accounts at financial institutions shall be covered by a General Depository Agreement. The depository must be a financial institution whose deposits are insured by either the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA).

III. Collections Controls Procedures

- A. Payments on accounts must be by personal check, money order, or cashiers check. BIHA shall not accept cash in payment on accounts. All payments received will be deposited in the bank on a weekly basis, unless collections are of a very small amount.
- B. Checks received shall immediately be stamped "For Deposit Only"
- C. Only Baranof Island Housing Authority employees designated by the Executive Director are authorized to receive payments from residents and issue receipts. The primary staff person responsible for receiving payments shall be the Receptionist. If this staff person is absent, the Admissions and Occupancy specialist, the Housing Manager, accountant, then the Fiscal Officer, then his/her

designee shall assume the responsibilities of the Receptionist. Under no circumstances, shall an employee receive payments outside of Baranof Island Housing Authority's office during normal business hours.

- D. Receipts will only be printed from the main printer.
- E. A receipt shall be issued for all payments collected so there is official record of the transactions and possible disputes are prevented.
- F. Receipts shall be at least two-part and sequentially pre-numbered. One part shall be given to the resident, and one part, shall be retained by Baranof Island Housing Authority for its permanent record. All parts shall have the same number and all receipts shall contain Baranof Island Housing Authority name.
- G. Receipts shall contain, at a minimum, the following information (1) name of resident being credited with the payments, (2) unit number or account number, (3) date, (4) amount of payment, (5) form of payment with identification number.
- H. A bank deposit slip should be prepared no less frequently than weekly. A copy of all checks and money orders received will be attached to the deposit slip. The deposit slip shall include each of the cash receipts' numbers making up the deposit and complete details as to the amount of checks. The deposit slip shall be re-checked, reconciled with the receipts, and initialed for approval by someone other than Baranof Island Housing Authority employee who received the respective payments. A computer listing of all receipts shall also be run and reconciled to the deposit slip. The deposit slip shall be prepared in duplicate with one copy accompanying the receipts to the bank and one copy retained by BIHA.
- I. All payments shall be deposited intact with the appropriate deposit slip to provide an additional record. Under no circumstances shall any disbursements be made from payments received.
- J. Upon receipt of the validated deposit slip, the accounts receivable clerk will compare the amount actually deposited to the amount previously specified for deposit, and to the amount posted on the cash receipts register. He/she will also forward the validated deposit slip to the housing manager for filing with monthly program summary reports.
- K. Payments received shall be recorded in Baranof Island Housing Authority's Housing Data System and in the individual resident accounts receivable records on the day received even when the money is not deposited on the same day. Cash receipt numbers should be recorded in both the Cash Receipts Register and the resident account receivable records.

- L. The Executive Director shall assure that there is a segregation of duties so that the employee who receives payments and issues receipts is not the same employee who maintains the Cash Journal. Under normal circumstances, the Housing Manager shall be the person primarily responsible for record keeping of housing program activity and the Fiscal Officer shall be the person primarily responsible for posting and record keeping of bank account activity.

IV. Cash Disbursement Control Procedures

- A. All disbursements (other than petty cash items) must be made by check. With appropriate documentation, the Executive Director may approve other forms of disbursement, such as wire transfers or electronic funds transfers.
- B. All checks must be pre-numbered and used in sequence. Voided checks must be retained and recorded.
- C. The supply of unused checks must be adequately safeguarded and kept in the custody of persons who do not sign checks.
- D. Checks shall be prepared by someone other than the person who signs the check, makes or authorizes purchases or approves vouchers for payments, or check requests. The primary staff person responsible for preparing checks shall be the Accountant. Prior to issuing a check, a voucher for payment or check request form shall be approved by the department head of the department requesting payment. The payment request shall be accompanied by adequate documentation such as an invoice, purchase order, or billing statement. In addition, procurement documentation and an environmental certification may be required. All payments shall be approved by the Executive Director.
- E. There shall be, at least three persons authorized to sign checks and each check shall require two signatures. Generally, no individual shall sign a check on which he/she is the payee. In unusual circumstances, where other signers are not readily available, and the payment is for routine regular disbursements such as regular payroll or previously approved travel, an individual may sign a check on which he/she is the payee.
- F. All check vouchers shall contain enough narrative description to specifically identify the purposes of the payment.
- G. Checks shall never be written for "cash". Checks for reimbursements of a petty cash fund shall be made out to BIHA.
- H. Checks should not be signed or countersigned in advance of being completely filled out. Each check shall be accompanied by supporting documentation,

including invoices, travel vouchers, check requests etc. The supporting documentation shall be reviewed for accuracy and approved by the department head, the Fiscal Officer and the Executive Director. A check request generated by the Executive Director shall be approved by the Fiscal Officer or the Fiscal Officer's designee. A copy of the check shall be attached to the supporting documentation to prevent duplicate payment.

- I. Check signers shall review each check carefully and not sign any check, which has evidence that any part of the check has been altered. If it is necessary to change a check, the check must be voided and a new check issued.
- J. All bank accounts will be reconciled promptly after the end of each month. Baranof Island Housing Authority's bank statements shall be reconciled by the Fiscal Officer or his/her designee. The reconciliation of bank statements shall be the primary responsibility of the Fiscal Officer who shall insure that duties are properly separated.

V. BIHA Payroll Disbursements Procedures

- A. In addition to the disbursement procedures described in the previous section, the following additional procedures shall apply to payroll disbursements.
- B. Baranof Island Housing Authority shall have written authorizations on file for all employees, which cover their rates of pay, withholdings and deductions.
- C. The Executive Director shall establish adequate timekeeping controls including the use of time clocks or attendance sheets and there shall be supervisory review and approval of all employee time/leave records prior to issuance of a check. The BOC Chairperson or a member of the Board of Commissioners shall be assigned to review and approve the payroll/leave records of the Executive Director.
- D. Payroll and personnel duties, such as timekeeping, salary authorization, and personnel administration shall be separated by the Executive Director.
- E. Baranof Island Housing Authority shall never pay an employee for more than 100 percent of his/her time through the encumbrance of more than one position or title. If an employee's time is being charged to more than one source of funds, the timesheet should provide a breakdown of the amount charged to each source.

VI. Control Provisions Over BIHA Assets

- A. In addition to internal controls, which apply to all disbursements, Baranof Island Housing Authority has special requirements for controls over BIHA's assets. BIHA assets, such as property and equipment, are an integral part of the BIHA's operation and shall be safeguarded in much the same manner as cash assets.

- B. Baranof Island Housing Authority will establish a system of authorization and approval of capital equipment expenditures. Baranof Island Housing Authority shall also have a system of authorization and approval for disposition of equipment and property. General guidelines are contained in the BIHA's capitalization and disposition policies respectively.
- C. Detailed records of individual capital assets shall be kept and periodically (at least annually) balanced with the general ledger accounts.
- D. All BIHA property and equipment shall be stored in a secure place.
- E. Baranof Island Housing Authority shall make a physical inventory of all equipment and property at least annually. This shall be reconciled to the general ledger accounts.
- F. The Executive Director shall be responsible for developing procedures for property accountability including the receipt of new equipment, transfer of existing equipment, determination and disposition of abandoned, lost, stolen, or destroyed equipment. In addition, the Executive Director shall be responsible for developing a plan/procedure for conducting the annual physical inventory of non-expendable equipment. This plan shall contain at a minimum: name(s) of the employees (preferably two) who will conduct the inventory; the time/date of the inventory (this date may be unannounced) and other instructions related to filling out the proper forms.

VII. Petty Cash Fund Control Procedures

- A. The Board of Commissioners by resolution, created a petty cash fund of \$350, identified the Fiscal Officer as the employee responsible for the fund. Such authorization may be contained in BIHA's procurement policy.
- B. Only one employee shall be responsible for, and have access to, the BIHA's petty cash fund.
- C. Payments from residents shall not be mingled with petty cash funds. Petty cash funds shall be kept in a separate locked cash box. The designated employee shall keep the cash box in a locked fireproof safe or cabinet when he/she is not in the office.
- D. Disbursements from petty cash shall be supported by petty cash vouchers or receipts. Checks issued to replenish the funds will then be supported by the vouchers and receipts. The petty cash fund shall never be used for "loans" to BIHA employees or for any purposes other than those defined in the Board resolutions governing the fund.

- E. The Fiscal Officer shall maintain a log of petty cash activity and current balance equal to the total amount of the authorized funds in the cash plus receipts.
- F. The Executive Director or his/her designee shall make periodic, unannounced audits of the petty cash fund in the presence of the designated employee responsible for the petty cash funds. A record shall be kept of the audit.

VIII. Control Provisions Over Investments

- A. The Executive Director or his/her designee shall be the staff person primarily responsible for the negotiation, selection, execution, handling and safekeeping of all investment documents.
- B. All original investment documents held by BIHA shall be stored in a secure place such as a lockbox or a fire proof safe. At least one copy shall be maintained in BIHA's administrative or financial files. An additional copy shall be maintained in a secure remote location.
- C. The only authorized personnel to have access to the investment documents shall be the Executive Director and the Fiscal Officer.
- D. Investments not held by BIHA shall be maintained in a custodian or trust account.
- E. All BIHA investments shall be made in the name of and bear the name of Baranof Island Housing Authority.
- F. The Executive Director shall be responsible for assuring that there is adequate separation of duties for custody of the investments and maintenance of the records. Under no circumstances, shall the same person execute, receive, or handle and investment document and also record the transaction.
- G. The Fiscal Officer shall be primarily responsible for recording and entering investment transaction into the investment ledger. The investment ledger shall contain at a minimum, the following information: type of investment; name, address, and phone number of the financial institution; date of execution; maturity date; amount of investment; and projected yield.
- H. The Fiscal Officer shall be primarily responsible for maintaining a system to collect all interest earned, properly record and credit the appropriate accounts, and provide a monthly activity report or summary for the Board of Commissioners.
- I. Baranof Island Housing Authority shall reconcile the investment ledger on a monthly basis, similar to other financial statements. The investment ledger shall

be reconciled by someone other than the person who recorded the original transactions.

- J. Baranof Island Housing Authority shall maintain a maturity schedule as evidence that investments shall not exceed a period of five years and to assure that investment funds are available when necessary. The Executive Director shall be responsible for monitoring the maturity schedule and assuring that investment funds are available for housing activities when needed.

INVESTMENTS

I. Purpose Statement

The purpose of this policy is to provide general guidelines and requirements for the investment of NAHASDA funds, which are governed by CFR Part 1000.58. This policy applies only to NAHASDA IHBG funds and does not necessarily apply to other Baranof Island Housing Authority funds, which may have different requirements.

II. Bank Accounts

All BIHA accounts with financial instruments shall be covered by a General Depository Agreement. The depository must be a financial institution whose deposits are insured by either the Federal Deposit Insurance (FDIC) or National Credit Union Administration (NCUA). All IHBG funds shall be held in one or more accounts separate from other BIHA funds. Any amounts in excess of the insured amount shall be continuously and fully secured. This will be accomplished through a collateralization agreement, as prescribed by HUD.

III. Eligible Investment Instruments

Baranof Island Housing Authority shall only invest IHBG funds in approved investment instruments in one of the two categories listed in Sections A and B below.

- A. Obligations of the United States, obligations issued by Government sponsored agencies; securities that are guaranteed or insured by the United States; mutual (or other) funds registered with the Securities and Exchange Commission and which invest only in obligations of the United States or securities that are guaranteed or insured by the United States;
- B. Accounts that are insured by an agency or instrumentality of the United States or accounts that are fully collateralized to ensure protection of the funds, even in the event of bank failure. Collateralization shall consist of identifiable U.S. Government securities as prescribed by HUD and specific authority contained in the agreement permitting HUD to exercise its rights pursuant to 24 CFR Part 1000.60
- C. Examples of these types of eligible instruments may include but are not limited to:
 - 1. U.S. Treasury Bills
 - 2. U.S. Treasury Notes
 - 3. Government National Mortgage Association (GNMA)

4. Farm Credit Consolidated System-Wide Discount Notes
5. Federal Farm Credit Banks Consolidated System-Wide Bond
6. Federal Home Loan Bank Consolidated obligations
7. Federal Natural Mortgage Association (FNMA) Notes
8. FNMA Short-Term Discount Notes
9. Student Loan Marketing Association (SLMA) obligations
10. Demand and Savings Deposits (with proper collateralization)
11. Money-Market Deposits Accounts (with proper collateralization)
12. Super NOW Accounts (with proper collateralization)
13. Certificate of Deposit
14. Repurchase Agreement (with proper collateralization and certifications)
15. SWEEP Accounts (with proper collateralization and certifications)
16. Mutual Funds (which meet criteria)

The additional collateralization, certification, and mutual fund criteria requirements shall be consistent with HUD requirements, specified in PIH Notices.

IV. Staff Assignment and Responsibilities

The Board of Commissioners authorizes the Executive Director to invest funds and execute any necessary documents on behalf of BIHA. The Executive Director is responsible for carrying out the investment function in accordance with BIHA policies. He/she is also responsible for assuring that duties are properly separated in accordance with the internal control policy. The Fiscal Officer shall be responsible for drawing down investment funds through LOCCS. The other specific duties of staff are contained in the Internal Controls Policy.

V. Procurement of Services

The procurement of services related to the investment function shall be conducted in accordance with the BIHA's procurement policy. The decision to perform functions in-house or to use private contractors shall be at the discretion of the Executive Director. This determination will be made based on a cost benefit analysis of viable alternatives.

VI. Determination of Investment Type

Baranof Island Housing Authority shall secure the best type of investment based on the following criteria, in descending order of priority:

- A. **Safety.** Baranof Island Housing Authority shall only invest in approved instruments outlined in this policy.
- B. **Yield.** Baranof Island Housing Authority should strive to achieve the highest return on their investment without incurring risk.

- C. **Liquidity.** All investments shall be capable of being liquidated on one week's notice. Baranof Island Housing Authority should be careful to avoid investments where longer notice is required or penalties may be levied for early redemption.
- D. **Maturity.** Baranof Island Housing Authority shall not invest IHBG funds in instruments with a maturity period of more than five years.
- E. **Amount.** Baranof Island Housing Authority should also consider the total amount available for investment since some instruments require a minimum threshold amount for investment.