

FRAMINGHAM HOUSING AUTHORITY

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FRAMINGHAM HOUSING AUTHORITY INTERNAL CONTROLS POLICY

Approved: February 18, 2016

- 1) Internal controls are defined by the Framingham Housing Authority (FHA) as "the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records." The FHA should address financial controls through both prevention and detection. Internal controls of the FHA are designed to accomplish the following:
 - a) Safeguard resources against waste, fraud, and inefficiency
 - b) Promote accuracy and reliability in accounting and operating data
 - c) Encourage and measure compliance with FHA policy
 - d) Evaluate the efficiency of financial operations in all departments of the authority
- 2) The FHA shall maintain and periodically review (at least annually) policies related to personnel, procurement, collection, rentals/leasing, fiscal operations, and investments. All revisions shall be board approved.
- 3) The FHA shall segregate duties to the greatest extent possible given organization size and staffing levels. Due to the size of the FHA, the human resource function and administration function are consolidated within the accounting department.
- 4) Cash loans to employees are prohibited. This includes payroll advances. Vacation pay is allowed. Loans against employee retirement plans are prohibited by the plan policy.
- 5) FHA Insurance Coverage
 - a) An insurance schedule is to be maintained and updated annually by the Accounting Department/Accounting Assistant I. It lists carrier, coverage limits, premiums, deductibles and expiration dates. This schedule will be reviewed by the Executive Director annually.
 - b) Insurance coverage limits for property are reviewed periodically via an on-site review by a professional in the insurance field to ensure that coverage amounts are adequate.
- 6) All FHA's general ledger records shall be kept up to date and in accordance with the HUD and DHCD system of accounts. They will also be in accordance with GAAP.
 - a) Control accounts (rental and pet deposit accounts) shall be balanced with subsidiary accounts monthly by the Finance Manager. Rent rolls are also balanced for Section 8 HAP properties when preparing HAP checks by the Accounting Assistant I or Finance Manager in consultation with the Director of Leased Housing. All rent rolls are to be maintained by the Accounts Receivable/Accounting Assistant in consultation with the Property Manager, Housing Manager and Director of Public Housing.

- b) Journal entries shall be approved by Deputy Director of Finance prior to the monthly closing of the books. (Including automatic entries detailed below)
 - c) Recurring, automatic posting journal entries shall be used for repetitive items to the greatest extent possible (i.e. amortizations, accruals, etc.). This reduces the potential for human entry error.
 - d) Financial Statements, to include Income Statements and Balance Sheets, shall be presented to the board monthly. The Income Statement shall compare YTD expenditures to YTD budget. Any abnormalities, significant variances with the budget, or significant expenditures shall be reviewed with the board by the Fee Accountant and Deputy Director of Finance and/or Executive Director.
 - e) All accounting records are backed up via the internet.
- 7) All FHA sets of books shall adopt a formal budget each year that will be presented to and approved by the Board of Commissioners by resolution. If necessary, mid-year budget revisions shall also be board approved.
- 8) FHA Petty Cash
- a) Responsibility for petty cash is assigned to the Deputy Director of Finance
 - b) Petty cash is limited to \$500
 - c) Petty cash is signed for, in ink on a preprinted form, by the person receiving the cash
 - d) Valid receipts are required for the use of petty cash
 - e) Petty cash is not to be utilized for check cashing purposes
 - f) Petty cash must be reconciled by the Finance Manager prior to replenishment
 - g) Petty cash lock box shall be stored in a locked drawer as a protection from misuse
- 9) FHA depository accounts
- a) All bank accounts shall be authorized by the Board of Commissioners
 - b) All bank account statements shall be directed initially upon receipt to the Deputy Director of Finance for review, then forwarded to the Finance Manager for review and reconciliation. They are reconciled monthly and reviewed by the Deputy Director of Finance after reconciliation. This review shall include the following:
 - i) review of check numbers
 - ii) review of authorized signatures
 - iii) comparison to general ledger cash balance
 - iv) review of transfers, direct deposits, and direct drafts/ACH
 - v) review of NSF items
 - vi) comparison to cash logs
 - c) All bank accounts shall have running balances available to accurately forecast cash uses, receipts and needs. Excess cash should be transferred to higher yield investment accounts in accordance with the FHA Investment Policy.
- 10) FHA disbursements
- a) With the exception of petty cash, credit card, and pre-authorized vendor direct drafts/ACH, all disbursements should be made by check
 - b) All checks are to be pre-numbered and issued in sequence
 - c) All bank and other information are printed on the checks and only authorized users have access to checks and check production
 - d) All vouchers are prepared by the Accounting Assistant I. The Director of Operations and/or Deputy Director review the vouchers prior to preparation of checks. The vouchers are also reviewed and approved by the Deputy Director of Finance and/or Executive Director prior to preparation of checks. Vouchers will have the following components reviewed:
 - i) Authorization (PO, Fish #, etc.)
 - ii) Receipt of goods

- iii) Amount paid
 - iv) Account coding
 - v) Expense reasonableness (travel and training expenses and reimbursements)
 - vi) All reimbursement transfers between accounts are approved by the Deputy Director of Finance and/or Executive Director prior to the transfer
 - vii) All vouchers/invoices are to be marked paid after checks are issued to prevent duplicate payments
- e) Checks are processed through the PHA Web software system by the Finance Manager and/or the Accounting Assistant I
 - f) Checks are presented along with invoices to both the Executive Director and the Treasurer or the Chairman for co-signatures
 - g) All invoices are marked approved, initialed and dated by the Deputy Director of Finance
 - h) Checks are given back to the Accounting Assistant I for mailing
 - i) All transactions are to be paid by check disbursement and/or ACH
 - j) At the end of each month, bank reconciliation will be performed by the Finance Manager who will reconcile amounts shown on the bank statement with cash deposits and disbursements
 - k) Bank statements and reconciliations are reviewed each month by the Deputy Director of Finance verifying that all the checks have the appropriate signature and that the check payee and amount have not been altered

11) FHA Purchasing

- a) Purchasing shall be accomplished through the Procurement Officer or designee with the exception of routine office and maintenance supplies. All purchases shall be accompanied by a purchase order or fish # where applicable. P.O #'s are entered into a log for periodic review. These items may be procured by the Executive Assistant and Director of Operations respectively.
- b) Non-routine purchases in excess of \$500 will be approved by the Deputy Director of Finance. All purchases are reviewed by the Executive Director and Deputy Executive Director prior to signing check payments.
- c) Food purchases shall be approved by the Deputy Executive Director, Deputy Director of Finance or Executive Director.
- d) All items shall be procured in accordance with the Procurement Policy.
- e) Purchasing shall be independent of the receiving and payment functions.
- f) Credit card purchases shall be made in accordance with the credit card policy.
- g) Received goods shall be inspected for condition and quantity when received.

12) FHA Payroll

- a) Personnel records shall be maintained in a locked cabinets with access restricted to those staff with human resource responsibilities.
- b) Executive Director approval is required for both addition to and deletion of names from the payroll listing
- c) Executive Director approval is required for interim changes to salary rates of employees.
- d) Board approval is required for the annual salary schedule adoption. The salary schedule is presented in Executive Session. Board approval is done through approval of budgets that incorporate wages as line items.
- e) Straight time, overtime, holiday time and personal time paid are all reviewed by the Deputy Director of Operations and Deputy Director of Finance or Finance Manager prior to preparation of payroll by the Accounting Assistant I. The Accounting Assistant I must verify all time for accuracy before processing.
- f) All data in the time keeping records must be complete and accurate. All eligible employees must sign all completed timecards at the end of the pay period, or if an electronic system is in place, shall sign in and out as directed by the Deputy Director of Operations or Executive Director. If signatures are

- j) required all signatures shall be legible. All appropriate signatures must be obtained prior to submitting timecards. The supervisor and the Deputy Director of Operations are responsible for verifying that the timecard or electronic data is complete and accurate, including hours worked. All timecards or electronic data will be processed by the accounting department. The Accounting Assistant I must verify all time for accuracy before processing.
- g) An outside payroll company (ADP) is currently tracking all accrual time (sick, vacation, personal) for everyone in the Authority.
- h) The FHA requires that all sick, vacation, or personal time off scheduled in advance be documented and signed off by the supervisor and accounting department and filed with payroll and filed in each individual's personnel file.
- i) The Executive Director and the Finance Manager shall review payroll before it is submitted to ADP. In the absence of the Executive Director the Deputy Director of Finance will review the payroll.

13) FHA Accounts receivable

- a) Amounts contained in the general accounts receivable are reviewed monthly by the Deputy Director of Finance and Finance Manager
- b) Past due resident accounts receivable are reviewed by the Deputy Executive Director, Director of Public Housing, Property Manager and/or the Director of Leased Housing
- c) Write offs of uncollectible resident accounts receivable requires prior board approval
- d) Accounts receivable access is to be limited to housing and accounting department

Accounts receivable data is contained in written and computerized form. The computerized form is backed up continuously to an alternate location via the internet

- 14) All FHA investments shall be obtained, recorded (including investment and interest revenue) and reviewed in accordance with the FHA investment policy.

15) FHA Physical Assets

- a) Board approval is required for real property acquisition.
- b) Parts inventory shall be maintained in a locked facility with access granted only to authorized personnel.
- c) Perpetual inventory records shall be maintained with periodic counts being performed annually at a minimum.
- d) Accounting records will be adjusted as appropriate if differing quantities appear in the physical counts.
- e) Inventories are covered under "contents value" on the Property Insurance Policy.
- f) Fixed assets detail records are balanced quarterly to general ledger accounts.
- g) All physical assets with a value of over five hundred dollars (\$,500.00) are stickered/tagged and inventoried upon receipt.
- h) In the residents lease, it is stated that appliances are in their unit for use on their move in date. The lease is signed by the resident.
- i) Board approval by resolution is required for disposition of assets maintained on the books (in accordance with property disposition policy).

- 16) The FHA shall maintain occupancy records that indicate when each unit vacates, how long it is in maintenance, how long it is in management for leasing and the lease up date. These records are reviewed weekly by the Executive Director, Deputy Director of Operations, Deputy Executive Director, Tenant Selector and Director of Public Housing. Extended vacancies are reviewed in depth by the same team of staff members. Units are taken offline as needed and DHCD is notified and a waiver is requested for any offline units.

- 17) Where applicable, FHA shall record resident utility usage and bill for excess usage in compliance with HUD guidelines.

- 18) Board Meetings shall be held in accordance with the By-Laws and recorded by detailed minutes which are approved monthly and maintained indefinitely.

19) Miscellaneous Provisions

- a) Partisan political activity is prohibited.
- b) Davis Bacon and related acts are to be adhered to according to the Procurement Policy.
- c) Annual HUD and DHCD required reports shall be submitted timely by the appropriate responsible staff member.
- d) A formal cost allocation plan shall be maintained, updated annually and reviewed by the Deputy Director of Finance.
- e) Section 8 contract rents shall be reviewed and adjusted annually (if factors are high enough for an adjustment).
- f) Public Housing Flat Rents shall be reviewed annually and adjusted if necessary.
- g) The Fee Accountant comes in on a monthly basis to review financial statements prepared by the accounting department and recommends adjustments if deemed necessary.



EQUAL HOUSING OPPORTUNITY



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CASH RECEIPTS POLICY

Cash receivable journal/cash book is located in the down stairs reception area. When cash is received:

- The amount is recorded
- The date received is recorded
- The residents name and address is recorded
- The staff member's name who received the cash is recorded
- The receipt is date stamped and signed by the person who paid with cash and a copy given to the person who paid in cash
- The cash and receipt are given to accounting
- The cash is counted again and signed off by accounting
- The cash is put into the tenant A/R cash box and the box is locked and placed into a locked drawer
- The cash is entered onto the cash sheet and is recorded separately and marked cash
- The cash is deposited into the bank by a staff member who did not do the above steps
- The staff member who reconciles the bank statement should not handle the cash receipts
- The cash should be deposited within a twenty-four (24) hour period

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