

# **Southern Nevada Regional Housing Authority**

## **FISCAL POLICY**

**Revised July 2017**

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## I. ACCOUNTING METHODS

### **General:**

Accounting methods employed by the Southern Nevada Regional Housing Authority, Nevada, shall at a minimum, satisfy such requirements as may be prescribed by Federal, State, or municipal laws, regulations, or guidelines. Additional accounting methods shall be employed to satisfy applicable government accounting standards, and the General Accepted Accounting Principles, promulgated by such competent authoritative sources as the National Committee on Governmental Accounting and the American Institute of Certified Public Accountants

### **Federal Guidelines:**

The Southern Nevada Regional Housing Authority (SNRHA) recognizes HUD for oversight of all federal funds received by the Housing Authority. In regards to the general requirements for receiving federal funds, the SNRHA intends to operate in conjunction with the following federal regulations and guidelines:

- Uniform Administrative Requirements, December 26, 2014 (Replaced OMB Circular A-87, Allowable Cost Principles, OMB Circular A-102, Administrative Requirements, OMB Circular A-133, Single Audit Act)
- The Code of Federal Regulations, Part 24
- Federal Housing Act of 1937 as amended
- Annual Contributions Contract
- Applicable Grant Agreements

### **Department of Housing and Urban Development Guidelines:**

The Southern Nevada Regional Housing Authority along with the recommended procedures has adopted the following guidebooks and handbooks as authoritative:

- The Low-Rent Housing Accounting Guidebook, 7510
- The Low-Rent Housing Financial Management Handbook, 7475.1
- Procurement Handbook for Public Housing Authorities, 7460.8, Rev 2

The Southern Nevada Regional Housing Authority also adopts the retired Low-Rent Housing Accounting Handbook, 7510.1 and the Low-Rent Housing Accounting Guide, 7511 as a reference tool to demonstrate appropriate accounting techniques. The Southern Nevada Regional Housing Authority in accordance with the Uniform Financial Reporting Standards for HUD Housing Programs issued September 1, 1998 has adopted the generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants. This regulation requires that the Southern Nevada Regional Housing Authority follow the pronouncements of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). In addition to these new federal guidelines the Southern Nevada Regional Housing Authority also, recognizes the HUD notices, GAAP flyers and HUD/REAC interpretations that are issued subsequent to this regulation, as authoritative when addressing financial reporting and accounting requirements.

**Board Guidelines:**

Specifically, the Board has adopted financial policies as guidelines to address specific procedures, which the finance department should follow. These include the following:

- Procurement Policy
- Investment Policy
- Disposition Policy
- Capitalization Policy
- Personnel & Travel Policy
- Asset Management Policy

**Fiscal Year:**

The Southern Nevada Regional Housing Authority shall be on a fiscal year basis. Such fiscal year shall be from October 1<sup>st</sup> of one calendar year through and including September 30<sup>th</sup> of the following calendar year.

## **II. INTERNAL CONTROL**

The Board of Commissioners has adopted the Internal Control – Integrated Framework principles established by the Committee of Sponsoring Organization (COSO) which includes five components listed below. The Green Book adapts these five (5) components and seventeen (17) related principles for a government environment;

1. **Control Environment** - the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives
2. **Risk Assessment** – Assesses the risks facing the entity as it seek to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
3. **Control Activities** - The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system
4. **Information and Communication** - The quality information management and personnel communicate and use to support the internal control system
5. **Monitoring** - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews

These principles represent the best practices known related to internal controls over financial reporting and compliance.

### **III. BUDGET AND BUDGET CONTROLS**

#### **Budgets:**

The Southern Nevada Regional Housing Authority shall define a budget as a realistic estimate of the operating revenue and expenditures to be incurred in connection with prudent operation of any project during a specified period, broken down according to a classification of accounts established by SNRHA. The budget shall be prepared both on a program basis and on an operational basis. Each Asset Management Property and operating program administered by the Authority shall prepare a separate operating budget at least once annually.

#### **Budget Preparation:**

The Head of each Program, Activity, and/or Department (hereinafter called “Head”), appointed by the Executive Director, shall work in conjunction with the Finance Director in developing an annual budget. The requested budget shall be by program and shall include adequate justification and a narrative of the relation of the requested budget to the Authority’s goals, objectives, and plans.

The Finance Director shall compile these appropriation requests along with estimated revenues for each program into a preliminary budget document, which shall be reviewed and revised as necessary by the Head and the Executive Director, or designee.

In order for the finance department to compile the operating budgets, the Director of Finance should receive from various departments the financial estimates for the upcoming fiscal year within 120 days before the beginning of the fiscal year.

The Executive Director shall recommend a balanced budget, first to the Administration Committee of the Board of Commissioners, and second, to the full Board of Commissioners. The Board of Commissioners shall review the recommended budget and make changes to the proposed budget as they determine appropriate. Each Asset Management Project budget must be adopted by the Board of Commissioners prior to the start of the new fiscal year.

#### **Procurement Plan for Fiscal Year Budget:**

At minimum of 30 days prior to the beginning of each fiscal year, Finance will communicate to Procurement and provide the approved line item budget for the upcoming fiscal year. Prior to each fiscal year, Procurement will receive Purchase Requisitions from supporting departments that reflect budget and contract amounts to be executed in the system for Purchase Order processing.

Asset Managers need to load all fiscal year budget monies on the initial purchase requisitions in the system, as per approved budgets. Purchase requisition must match approved budget for each service contract.

Procurement is recommending that all Contracts are submitted for approval at the same time the Budget is submitted for approval.

Revisions to the budget document necessitated by changes in circumstances or estimates during the fiscal year shall be processed in the same manner as the original budget.

#### **Budget Control:**

Each Head shall be responsible for the efficient and effective use of budget appropriations and control costs in relation to that department’s portion of each program budget. No expenditure

shall be made that exceeds an appropriation for a major expenditure category of a program/activity/department budget except in emergency situations as determined by the Executive Director. Monthly reports comparing the budgeted revenue and expenditures shall be supplied by the Finance Department to the Heads and the Board of Commissioners.

#### **IV. GENERAL ACCOUNTING PROCEDURES**

The foregoing procedures are to provide general guidance and direction in performing routine tasks of accounting requirements. The procedures are directly impacted based upon the automation of the Southern Nevada Regional Housing Authority accounting and management information systems. It is the SNRHA's desire to have fully automated and functioning accounting and management information systems operational with current technology. Based upon this desire, the procedures are written to accommodate a fully automated system.

#### **V. CASH MANAGEMENT PROCEDURES**

As contained in the HUD Notice 96-33 for cash management procedures, the Southern Nevada Regional Housing Authority has established these procedures. This will insure that adequate funds are available to meet the operational objectives of the Board, as well as, to meet the ongoing demands of maintaining the developments to provide safe and sanitary housing to the residents.

#### **VI. CASH FORECASTING PROCEDURES**

The Finance Director is responsible for the forecasting of cash needs and determining whether excess funds are available for investment, available for future uses in each applicable program, or available to be transferred to another AMP within the Public Housing ledgers. The Finance Director is also responsible for maximizing interest yield and the availability of funds for investment purposes. The Annual Contributions Contract, as well as, the Financial Management Handbook, 7475.1, requires the forecasting of estimated cash needs. The forecasts utilized are nothing more than simple projections of revenue and expenses along with maturing investments and available cash balances. These forecasts should be done at least annually and used to determine the availability of funds for investment, applicable program needs and fungibility.

#### **VII. ACCOUNTS RECEIVABLE AND COLLECTIONS**

##### **Tenants Accounts:**

A detailed record of all transactions shall be maintained for each tenant of the Housing Authority, including documentation of each transaction's nature, justification, and authorization. Notice to tenants regarding delinquency of account balances shall be processed shall be promptly as allowed State and Federal laws and regulations. Legal eviction proceedings shall be instituted promptly for accounts that remain delinquent upon expiration of the required notice period. All vacated tenant account balances determined to be uncollectible shall be written off to collection loss on a monthly basis. All vacated tenant account balances in excess of \$100 may be assigned to a collection agency. The Southern Nevada Regional Housing Authority shall employ all legal, reasonable and economically feasible measures necessary to maintain the month-end account

balances at less than 1.50 percent of the total tenant revenue, and collection losses at less than 3 percent of annual dwelling rental income.

**Responsibilities:**

Responsibilities relating to Tenant Accounts Receivable and collections shall be as follows:

1. Property Manager initiates and authorizes transactions relating to tenant charges and credits, compiles source documents supporting transactions, executes delinquency notices and request that eviction proceedings be promptly initiated for accounts that remain delinquent upon expiration of the required notice period, maintains the amount of tenant accounts receivable and collection loss within the limits prescribed above, and takes other appropriate and necessary actions
2. The Finance Director determines the accounts that are uncollectible, and requests that uncollectible accounts be written off to collection loss or assigned to a collection agency.
3. The Finance Director, or his designee, shall audit all compiled source documentation to verify the completeness, accuracy, and proper authorization of each tenant transaction and provide current reports and other documentation required to complete billing and collection processes.
4. The Executive Director reviews and approves all write-offs recommended to the Board of Commissioners as uncollectible accounts and to assign them to a collection agency.

(Also, refer to the Standard Operating Procedures for more detail.)

## **VIII. ACCOUNTS PAYABLE**

The Finance Department should enforce and comply with the Southern Nevada Regional Housing Authority's procurement policy, as well as, purchasing procedures. Requisition are submitted through the Yardi system to finance for budget approval. Once all of the approvals are met, Procurement issues a purchased order (PO) and procures the goods and/or services. The Executive Director must approve all requisitions over the procurement purchasing authority \$40,000. The requisitions should contain at a minimum the source of funding to be utilized in the purchase, the price, quantity, description, vendor or supplier and reference to the account number in the general ledger that will be charged with the purchase. Once the invoice is received for goods and services provided, the finance department entered the invoice into the management system to the department responsible for procuring the services. The recipient shall approve the invoice thru the Yardi and the in-house management system authorizing payment. Approvals received by Wednesday noon will be processed that same week Friday.

The Accounts Specialist I (accounts payable) will first determine that there are enough funds available on the PO to process the invoice for payment.

All invoices and support are marked "paid" to cancel them and to prevent their reuse. All check voucher copies should be filed alphabetically by vendor with the appropriate documentation attached behind the voucher copy. The appropriate documentation should include but is not limited to a copy of the invoice and a purchase order when applicable. Purchase orders are not

needed for routine and normal expenditures and expenditures classified as small purchases or emergencies. Check voucher copies should be a duplicate of the original check and should be stamped paid after processing.

The Finance Director is required to review the monthly expenditures to determine whether the costs are charged to the appropriate line item, as well as, to compare the total expense to the budget allowed. There should not be any budget overruns unless properly authorized by the Executive Director. Any significant errors in recording and posting should be adjusted during the following month before the reports are distributed to management and to the Board of Commissioners.

## **IX. PAYROLL PROCEDURES**

The basis for the payroll is from time records maintained and from the annual operating budget that allows the expenditure. All payroll data is of a confidential nature. The personnel files are maintained by someone outside the finance department and should include a W-4, to authorize the appropriate amount of federal and state tax withheld. In addition, this file must contain authorization for other withholdings; such as health insurance, etc.. Personnel files should also contain salary history with the proper authorization signed by the Executive Director for any actions. This authorization shall be copied and submitted to the Payroll Specialist, in charge of payroll, in order to pay the appropriate amount. The Human Resource Department shall keep a payroll file that shall contain records and verifications of court ordered withholdings, copies of action sheets, and direct deposit instructions filled out by the employee.

Each employee keeps an electronically read identification card or records time in the 3<sup>rd</sup> Party payroll system. Electronic punches, both in and out, are made at the time clock. These punches shall be translated into time card reports that are to be approved by the applicable supervisor. All payroll information is accumulated and entered by the Payroll Specialist before the payroll checks are processed. After being approved and compiled, the time is entered into the payroll system after they have been properly footed and checked for approval. An hour's edit list is then run thru the time and attendance report to verify that the time cards have been properly keyed into the system. After the hours edit list has been checked and verified for accuracy, the Payroll Specialist runs the payroll. Afterwards, the register and all the payroll reports are created. After the payroll checks are printed and verified, they are stored under lock and key until payday. The Directors or supervisors distribute the checks. A third party vendor is responsible for the verification of the payroll tax reports on a monthly, quarterly and annual basis.

The manager, and or director, must properly approve the request for leave. The records of the payroll specialist are final.

## **X. INVESTMENTS**

The Southern Nevada Regional Housing Authority shall invest all available funds in those investment securities approved by HUD, in PIH Notice 96-33, and state law to maximize the investment income of the Housing Authority and to avoid penalties for early withdrawal of investments caused by insufficient cash flow. All investments of excess funds are made in accordance with the procedures outlined in Chapter 4 of the Low-Rent Financial Management Handbook, 7475.1, which give specific instructions for handling investments. The Executive

Director or the Finance Director is authorized to execute approved investment transactions. (See the Investment Policy).

## **XI. REPORTING**

### **Monthly Reporting Requirements:**

The Finance Department shall provide to the Board of Commissioners, Management, and Property Managers, a complete monthly accounting and financial statement package. This monthly report is to provide each reader the necessary information to make management decisions, and should include at a minimum the operating statements, which show current monthly expenditures, year-to-date expenditures and comparisons to the operating budgets. All monthly reports should be issued within 20 working days of the end of the monthly period. The exception for monthly reports would be for the end of the fiscal year, which should be issued 75 days after fiscal year end. Financial reports must be submitted to REAC no later than 75 days, which includes a 15 day grace period, after the closing of the fiscal year.

## **XII. CAPITAL ASSET PROCEDURES**

The recording, accounting, reconciliation and adjustments of fixed assets should be done in accordance with the expired Low-Rent Housing Accounting Handbook, 7510.1 Chapter 7. The finance department is to provide reconciliations no less than annually to the Executive Director. The reconciliation is to include an annual inventory of all non-expendable equipment, provided by the Procurement Department and a summary of the fixed asset control accounts in the general ledger. Any capital assets that are not located should be reported to the Executive Director so the appropriate personnel can be held accountable. Each item of nonexpendable equipment should be directly assigned to an individual job position and any transfer of assets should be properly recorded and reflected within the books of account. The responsibility to inform the finance department of assets, which have been relocated, is solely the person or persons who have original custody of the fixed assets at the beginning of the fiscal year. An annual report should be given to all employees detailing the assets they are responsible for. Any dispositions of capital assets shall be done in accordance with the disposition policy. However, before entries for disposition are to be recorded by the Finance Department the proper approval must be received. Capitalization is set at \$5,000.00. Purchases below this amount may be tracked for control purposes but are expensed at date of purchase

## **XIII. GENERAL ACCOUNTING REVIEW**

The Accountant and the Financial Analyst, on a monthly basis, shall review the General Ledger and monthly reports for accuracy and reliability of the data. This review shall precede the issuance of the monthly accounting data to the required departments, management and the Board of Commissioners. The Director of Finance shall review the accounts to determine, at a minimum, the following as detailed in the SNRHA finance standard operating procedures:

- The cash & investment accounts are in agreement with the bank reconciliations and investment registers
- The tenant accounts receivable and security deposits are in agreement with the detailed ledgers

- The detailed income and expense accounts shall be compared with prior months and prior years to determine if there is any unusual variance which may need to be reviewed and/or reported to management
- Inter-fund accounts are in balance and being reimbursed on a systematic basis
- Determine that sufficient cash is available to meet the ongoing obligations
- The monthly income and expense and grant reports are properly stated
- The payroll withholding accounts and accounts payable accounts are properly stated.
- The monthly or quarterly entries are made for amortization of prepaid insurance and payments in lieu of taxes
- The grant revenue and operating subsidy for the month is properly recorded and stated
- Standard operating procedures that delineate the allocation methodology used to charge out frontline and fee for service cost

#### **XIV. FINANCE DEPARTMENT - STANDARD OPERATING PROCEDURES (SOP)**

The Finance Department of the Southern Nevada Regional Housing Authority has developed a Standard Operating Procedure Manual (SOP). The SOP is a written and fluent document that lists the instructions, step-by-step, on how to complete a job task or how to handle a specific situation when it arises in the department. The SOPs aim to achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with industry standards. Listed below are some of the areas covered in the SOP Manual.

- Budgets Processing
- Accounts Payable
- Tenant Accounting
- Allocation Methodology used to charge out Frontline and Fee for Service Costs
- Inter-company Transfers
- Bank Reconciliation
- General Ledger Processing
- Financial Reporting
- Year-end Closing

The SOPs are periodically reviewed and updated when changes in the procedures occurs.

#### **XV. ANNUAL FINANCIAL REPORTING REQUIREMENTS**

The PHA is to comply with the HUD notices and current Code of Federal Regulations in issuing annual financial statements. These financial statements shall be issued on the HUD prescribed forms and digitally signed by the appropriate submitter. The books and records of account should be mapped to Pursuant to the Federal Regulation issued September 1, 1998 covering the “Uniform Financial Reporting Standards for HUD Housing Programs,” The PHA should submit the unaudited “Financial Data Schedule” within seventy-five days of the end of the fiscal year. And the audited “Financial Data Schedule” shall be submitted within nine months of the end of the fiscal year pursuant to the Uniform Administrative Requirements.

## **XVI. AUDITING REQUIREMENTS**

Annual audits are required pursuant to the Uniform Administrative Requirements. The Finance Department is expected to provide the necessary financial information to the independent auditor to insure an efficient and effective audit. The audit should be contracted within time to days and shall be conducted and finished within 9 months of the fiscal year end. The audit should be sufficient in scope to render an opinion of the financial systems and compliance applicable to public housing authorities. The audit shall be conducted in accordance with the generally accepted auditing standards, the requirements of the “Government Auditing Standards” and the Single Audit Act. The Single Audit is conducted in accordance with 2 CFR 200 Subpart F. The audit shall include supplemental information as required by HUD/REAC. The Housing Authority should prepare the annual Management Discussion and Analysis as required by GASB 34, and should have the capacity to review or prepare the published financial statements along with the notes to the financial statements.