

Albuquerque Housing Authority Accounting Policy

2018 Revised Edition



ALBUQUERQUE HOUSING AUTHORITY

"Empowering people in our community through affordable housing and self sufficiency opportunities."

1840 University Boulevard SE

Albuquerque, NM 87106

Phone: (505) 764-3920

Fax: (505) 764-3981

www.abqha.org

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Introduction

This document has been prepared to demonstrate the internal accounting procedures for the Albuquerque Housing Authority (AHA). Its purpose is to ensure that assets are safeguarded, financial statements are in conformity with generally accepted accounting principles, and finances are managed with responsible stewardship.

This Accounting Policy and Manual has been presented, reviewed and approved by the AHA Board of Commissioners, Finance Committee and Administration. Many staff members have contributed to the development of this manual utilizing resources including:

- HUD and OMB
- State of New Mexico Auditors Office
- State of New Mexico Procurement Office
- City of Albuquerque Treasurers Office
- AHA Attorney
- AHA Board of Commissioners
- AHA Executive Director
- AHA Finance Department

This policy serves the public housing authority (PHA) by helping to identify and reduce risks and ensuring that policies, procedures, laws and regulations are followed and that established standards are met. It is the intention that PHA objectives are achieved and that resources are used efficiently and effectively. The finance department operates under the general direction of PHA's Executive Director with a direct reporting relationship to the Board of Commissioners and the Finance Committee.

The AHA commitment by staff and management is to deliver the core values throughout our daily procedures which include accountability, compassion, integrity, service and stewardship. All personnel with a role in the management of AHA's fiscal operations are expected to uphold the policies in this manual. It is the intention that the accounting policy and manual serves as staffs' commitment to transparent, accurate and consistent financial management and reporting.

Housing Authority & Compliance

Department of Housing & Urban Development (HUD)

The mission of AHA is "Empowering people in our community through affordable housing and self-sufficiency opportunities." This is accomplished through various funding sources, most notably the Department of Housing and Urban Development (HUD). AHA policies and procedures are guided to meet the requirements of the regulations of the funding source provided in the awards of our grants from both HUD and the regulations of the State of New Mexico. This Accounting Policy addresses and considers both the guidelines set by HUD and State of New Mexico requirements for reporting and fiduciary responsibilities.

In order to abide by the regulations of both parties, AHA follows the rule of the stricter of the two policies. For example:

State of New Mexico small purchase threshold is \$60,000. HUD policy on small purchase is \$150,000. AHA will abide by the State of NM threshold to consider small purchases at \$60,000.

State of New Mexico policy on obtaining certified payroll for a construction project has a threshold of over \$60,000 and HUD's threshold is \$2,000. AHA will abide by the HUD threshold of \$2,000 for certified payroll.

HUD Financial Assessment

AHA follows the Basic UFRS Rule Requirements (Uniform Financial Reporting Standards) as recommended by HUD. HUD developed the Financial Assessment Subsystem (FASS) specifically to facilitate the PHA metric as the financial health portion of the overall assessment. Financial and other information must be submitted to the HUD Real Estate Assessment Center (REAC) electronically by the PHA.

The Public Housing Assessment System (PHAS) rule establishes procedures for the assessment of:

1. Physical condition
2. **Financial condition**
3. Management operations
4. Resident service and satisfaction

The PHAS indicators listed above act as an annual “report card” to indicate how the agency is performing based on HUD standards. For the 2) Financial condition listed above, information must be submitted to REAC electronically by the PHA through the FASS using a template known as the Financial Data Schedule (FDS).

Financial Compliance

The AHA annual financial reports are completed and audited by an independent audit firm. It is submitted to the City of Albuquerque to be part of the CAFR and to the State of New Mexico for approval of the final audit. Once the State has approved the audit, it is then submitted to HUD via the REAC FDS.

The annual FDS is prepared by the PHA using Generally Accepted Accounting Principles (GAAP) standards for state and local governments and is reported on by the independent auditor as to its fair presentation in relation to the audited financial statements. The Government Accounting Standards Board (GASB) issues relative accounting practices on an annual basis. As these documents are released, AHA modifies the procedures to conform to the new GASB standards, if applicable. GASB provides for two bases of accounting depending on the activities of the governmental entity - “enterprise fund” or “governmental fund” accounting. Since the overwhelming majority of PHAs possess the characteristics of enterprise funds, they follow GASB enterprise fund accounting principles.

GASB issued Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, which mandates government-wide or other financial statements using full accrual accounting like that utilized by enterprise funds.

Under Statement No. 34, AHA will be considered a special purpose government entity. It is

engaged only in business type activities and therefore, will follow enterprise fund accounting in accordance with the provisions of paragraph 138 of the Statement.

Compliance with External Policies

Housing Authority accounting policies and procedures are compliant with GAAP accounting principles as established by the Financial Accounting Standards Board (FASB), the Government Accounting Standards Board (GASB) to maintain U.S. Department of Housing and Urban Development (HUD) regulations. The policies are provided through:

- **OMB Directives** – *The audit of an entity's basic financial statements, Grant compliance and internal controls.*
- **Uniform Financial Reporting Standards (UFRS)** – *Rule implementing requirements of 24 CFR, Part 5, Subpart H, for the electronic filing of financial information to REAC by entities receiving HUD financial assistance.*
- **GASB Statements** – *New accounting rules as implemented by the New Mexico Office of the State Auditor (OSA).*
- **Statement on Auditing Standards** – (SAS) No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents*
- **AICPA Statement on Standards for Attestation Engagements** – (SSAE) No. 10, *Attestation Standards: Revision and Recodification, where the auditor compares the electronically submitted data in REAC and is prepared by the auditor.*

The Albuquerque Housing Authority Board of Commissioners was created by resolution of the City of Albuquerque City Council. The Albuquerque Housing Authority Board of Commissioners are appointed by the Mayor. The AHA Board of Commissioners is the governing body to AHA.

Board Authority

Board of Housing Commissioners

The AHA encourages community members to stay informed on current issues and business actions pertaining to its housing programs and policies. All meetings of the Board shall be open to the public unless, for a specifically named and limited purpose, a meeting is scheduled as a closed meeting or an open meeting is called into a closed session. Albuquerque Housing Authority Board of Housing Commissioners is authorized by the City of Albuquerque through Resolution (R-2010-97).

Board Meetings

Regular Meetings are held on the 3rd Wednesday of each month, unless otherwise posted. Meetings are held at 12:00 pm (Noon) in the Manuel Cordova Conference Room, at the Albuquerque Housing Authority Administration Office, Carnis Salisbury Building, unless otherwise posted. Notice of meetings shall be in accordance with the State of New Mexico Open Meetings Act, §10-15-1 et seq., and the City of Albuquerque Public Boards, Commissions and Committees Ordinance, §2-6-1-4(B)(2) ROA 1994, provided that in no event shall notice be less than the notice required for Albuquerque City Council meetings.

Board Responsibilities

The Board of Housing Commissioners has a role of oversight to the AHA and is appointed by the Mayor of the City of Albuquerque. The Board is responsible for electing Board Member roles and officers.

Housing Commissioners provide leadership, set policy, approve budgets, and earn support in the community for housing programs. The role of the Board Members is that of policy maker, while the responsibility of the Authority's administration belongs to the Executive Director (E.D.). The E.D. is considered the Chief Executive Officer who manages the operations and reports to the board. Additionally the E.D. holds a role on the Board as Secretary and reports to the board monthly. The Board of Commissioners and the E.D. work together in a positive working relationship in order to have the balanced and effective agency for the community.

1. Executive Director acts as signatory on all disbursements and the Chair and/or another designated AHA Member act as back up signatory.
2. Dual signature is required to authorize expenditures in excess of \$20,000.
3. Both parties review vouchers and invoices for those checks which require his or her signature.

The Accounting Function

To ensure compliance on a daily basis with regards to all accounting functions, this policy is a regulatory guide to the various functions including but not limited to; cash management, receipts, disbursements, accounting, funding, purchasing and grant or contract management. The finance department has evaluated the process and procedures that staff follows to ensure all industry regulations are being followed. Desktop procedures exist and are reviewed annually to ensure consistent and compliant practice.

Prevention and detection of fraud and mismanagement is another factor in considering process and procedures. HUD's Office of the Inspector General (OIG) recommends the implementation of strong internal controls, through accounting policies and procedures, in order to help mitigate the potential for fraud. The most effective internal control concept is separation of duties.

An ideal system of internal controls will separate the below functions:

- Authorizing transactions
- Keeping books
- Handling funds

When two or more of these functions are in the control of one person, the potential for fraud is greatly increased. On occasion, when staff size is too small to permit separation of duties, a closer level of supervision is utilized which may include the Administrative Manager, Department Manager, or Board Member being called in to verify a process.

The Finance Department recognizes this role and is responsible in communicating the education of the current state of affairs to the Board of Commissioners and the E.D. who hold direct responsibility for ensuring that the PHA's housing programs are carried out in an honest, efficient, and effective manner.

Some key components to reporting the fiscal state of affairs and oversight to the internal controls includes reducing opportunity for fraud or mismanagement through the following:

- Periodic review of the manual for any updates or necessary changes
- Employee Performance Review and periodic coaching of staff to suggest improvement in daily process
- Vacation and leave time for regular staff. This can provide the back-up staff the ability to check the validity of a process for accuracy
- Review of processes when either new staff is hired or new industry regulations are implemented
- Strong Internal Controls supported through procedures
- Rotation of staff duties for staff responsible for cash management
- Annual training and skill enhancement opportunities to review roles and responsibilities

Fraud Prevention & Cash Management

Education and strict adherence to the roles and procedures of daily cash management is the first step to fraud prevention. This begins by hiring and educating staff on the importance of cash management handling, which includes reviewing all preventative measures as well as ensuring all AHA procedures are being followed.

Cash Management & Investment Policy

The Annual Contributions Contract (ACC) requires the PHA to deposit and invest all program funds for projects under an ACC in accordance with the terms of a General Depository Agreement. The General Depository Agreement must be in a form approved by HUD and is executed between the PHA and the depository. In addition, the ACC requires the PHA to invest General Fund (program) monies only in HUD approved investments.

Cash management is the process of managing the cash flow of a PHA to optimize its use of funds. This process involves the timing of receipts and disbursements to assure the availability of funds to meet expenditures and to maximize the yield from the investment of temporarily surplus funds. Effective cash management calls for organized planning. Good relations between the PHA and the financial institution can improve the effectiveness of a cash management program.

- Banking services should be obtained in a competitive solicitation
- A General Depository Agreement is signed Form HUD 51999
- Collateralization of deposits shall be fully secured (100%) that are in excess of the insured amount (FDIC)

Investment Policy is published as an additional document but the policy shall adhere to the following; AHA shall implement the following internal controls to assist in controlling investments and preventing loss or misuse:

1. Investment transactions shall be authorized by the AHA governing board and documented in the board minutes.
2. Investment documents shall be kept in a safe fire-resistant locked file cabinet, safe deposit box, or other similarly secured location.

3. Individuals responsible for custody of securities shall be someone other than an individual maintaining the accounting records.
4. Investments shall be maintained in a custodian or trust account.
5. Investments shall be in the name of the AHA.
6. Investments shall be recorded in detail in an investment ledger.
7. A system shall be in place to ensure that all interest earned is collected and credited to the appropriate AHA records.
8. Investments shall be reconciled periodically to the detailed record (investment ledger).

Cash Disbursements Process

In the disbursement process, there are two independent verification steps to be taken before the payments are sent. It is performed by a person removed from custodial, recording and approval duties. This control step addresses the issue of fraudulent supporting documents, which can easily be produced and inserted into the invoice processing and check preparation stages.

1. All Purchase Orders are approved by a manager for payment.
2. Invoices are entered into the system by the Accounts Payable Technician.
3. The Pre-Check report is approved by an Accounting Manager, Finance Director and the Executive Director.
4. Check stock is controlled and disbursed by an Accountant.
5. Checks are run by the Accounts Payable Technician.
6. Positive pay report is run that includes the check number, amount and quantity to verify against the check listing report.
7. The report is then submitted to the bank by the Accounting Manager.
8. Checks are distributed. **Note:** *Any checks over \$20,000 are required to be signed by a second signatory of the board prior to being distributed.*
9. Disbursements are reconciled during the monthly bank reconciliation process performed by the Accounting Manager.

Cash Receipts Process

All current staff has been trained by the City of Albuquerque “cash handling” class. This includes educating, training and reviewing the desktop procedures along with spot checks with all employees who handle the cash management for AHA.

There are specific measures when managing cash receipts or disbursements. All cash processes, either manual or automated, meet their objectives to:

1. Safeguard the asset
2. Prevent, deter, and detect errors and fraud

To achieve these objectives AHA ensures receipts and disbursements are appropriately directed and recorded. The controls in cash processes are segregation of duties and independent verification. To verify information independently, there is a separation of duties.

The person who performs the verification is not the same person who has access and control over the assets. In performing bank account reconciliations, the verification procedures include:

1. Tracing all cash receipts to the bank record.
2. Supporting all bank debits with approved internal records.
3. Performing the daily Positive Pay process, where the bank has AHA resolve check issues that do not match with their Positive Pay file.

Controls for Cash Receipts

AHA has a three-person team in the cash receipts process. This is absolutely necessary in protecting cash and contributions processed on a daily basis.

- Each cashier has their own drawer.
- Each cashier has a key to their drawer so that it may be locked when they leave their desk or when not actively receiving monies.
- Monies are locked in the safe overnight and cash is recorded and verified by trained senior staff at the beginning of the day and the end of the day.
- The daily cash register drawer begins and ends with an audit of the cash drawer.
- Deposits are verified at End of Month, when the bank statement is reconciled by the Accounting Managers. All receipts are verified and reconciled.

Cashier – Morning

- A supervisor retrieves the cashier's drawer and has the cashier count the cash in front of them to verify the amount. The cashier has their own key to their drawer and locks the drawer when they are away from their desk for any period of time.
- A back-up cashier repeats the same process in the morning so that there is always a back-up cashier should support be needed.
- A supervisor is on hand to support the cashier with any difficult transaction or unusual circumstances.
- During rent week (the first week of the month), cashiers are to close their drawer twice a day (mid day and end of day).

Cashier – End of Day

Close-out of the drawer is balanced and reconciled by three separate parties prior to deposit of funds for the End of Day process.

- The Cashier presents their reconciled drawer to the accountant (supervisor).
- Accountant reconciles the balance report to the cash received.
- The deposit is handed off to a third party staff accountant who verifies the deposit prior to delivery to the bank or night drop.
- Cash drawer is closed in the system once all deposits have been verified.

Segregation of Duties

Segregation of duties is a preventive and detective control. The division of responsibilities serves to cross-check the work of each function, thereby increasing the chance of detection, while reducing the chance of concealment without collusion. The **custodial duties** direct the actual asset flow and must be separated from the cash recording duties.

Custodial Duties

Custodial duties include cash counting, check endorsement, bank deposits, blank check stock custody, check printing and check signing. The electronic fund transfer application operator who processes and submits the fund transfer request is a cash custodian.

Custodial Duties:

1. Executive Director – approves outgoing disbursements. Holds signature authority for all disbursements.
2. Chairperson of the Board – approves disbursements over \$20,000. Holds second signature authority.
3. Finance Director – Audits all bank reconciliations, financial transfers and ensures the chain of command
4. Accounting Manager – Performs financial reconciliations and audits month end
5. Accountant – Audits daily cash drawers and deposits and ensures tracking of deposits and original receipts
6. Senior Accounting Technician – Third party verifies and reconciles cash deposits
7. Accounts Payable Technician – Processes invoices, electronic payments and disburses funds
8. Senior Office Assistant – Receives rent, cash deposits and reconciles daily receipts

The independent verification control in a cash process is verifying internal records of receipts and disbursements against externally sourced records. This is commonly known as the bank account reconciliation. There are accurate and reliable internal records with the recording duties separated from the custodial duties. The bank account reconciliation is a detective control and stop-loss procedure.

Internal Accounting Controls

Internal controls ensure that an organization's objectives can be achieved. An adequate system of internal controls is set to properly safeguard assets through the timely recording, reconciling and summarizing of transactions.

It is the job of the Executive Director and Board of Commissioners to bear ultimate responsibility to ensure that an adequate system of internal controls is in place and operating efficiently and effectively.

The Internal Controls are designed to reach accurate and transparent record keeping, assisting in the annual goals of the Finance Department:

- Conduct financial and financial-related audits.
- Conduct compliance and quality assurance reviews of operating controls and transactions to determine compliance with laws, regulations, and procedures.
- Conduct performance/operational audits to determine efficiency, economy, and effectiveness of all program areas and operations.
- Notify management and the Board of any investigations involving allegations of impropriety, fraud, criminal activities, conflicts of interest, waste, mismanagement, etc.

- Serve as a liaison and coordinator of PHA's interest with HUD, local and federal regulatory and investigative bodies.
- Respond to requests from the Board of Commissioners, the Executive Director and the Senior Management team for independent analyses of management or internal control systems.
- Coordinate audit efforts between departments for external auditors to avoid duplication of efforts.

Adopted Internal Controls

The following items are internal controls recommended by HUD for PHA's. All of these Internal Controls are adopted and maintained by AHA.

- The bank and credit card statements are reconciled by an independent person.
- Reduced handlings of cash where two people count receipts and verify deposits.
- Required vacation leave or time off for finance staff.
- Independent Audit firm is rotated at least every 3 years, and assures audit findings are resolved. AHA follows the NM State Auditor procurement guidelines.
- Maximum dollar limits for credit card purchases.
- P-cards are limited to staff trained in purchasing and policy. P-card use is monitored and reviewed monthly by the Accounting Manager and the Executive Director.
- Credit Card receipts are obtained and verified against billings by someone other than the card holder.
- One person does not have total oversight and authority over cash and accounting functions and a backup plan includes higher level review and approval should key staff be absent.
- Staff is rotated monthly during rent collection and daily cash management and deposits.
- All payments are reviewed and signed by the Executive Director or designee and senior accounting staff.
- The Executive Director and designee has signatory authority however, a second signature is required by Board designee for payments greater than \$20,000.
- Second signature is obtained by either the by the Chairperson of the Board or the designated back up commissioner.
- Signature stamps are secured at all times by the Information Technology staff.
- All check and cash disbursements are accompanied by an invoice showing that the payment is justified.
- Background checks are completed on all new finance staff.
- A finance technician distributes payroll and a Finance Manager or Finance Director reviews payroll disbursements against a list of employees from the human resources department.
- Unclaimed checks are investigated and resolved annually; unclaimed checks are sent to the State of NM unclaimed properties division.
- Training programs are instituted by Human Resources that emphasize good behavior such as ethics classes. Staff is reminded in monthly all staff meetings of the impact of their good work.

- News articles are shared with staff when housing authorities experience fraud or misappropriation of funds to share and educate the importance of internal controls.
- AHA has adopted a fraud hotline and each email has the contact information available “See Fraud, Waste, Abuse, Unethical or Illegal Activity...Report It! 877.778.5463”; HUD OIG Hotline telephone number is: (800) 347-3735.
- All employees are made aware of the serious nature of embezzlement and that they have an obligation to report suspected abuse to Management or a Board Member.

Internal Controls in Action

One of the most important characteristics of a good system of internal controls is separation of duties AHA separation of duties is outlined as follows:

- **Mail** – The person responsible for opening the mail is not be the same person responsible for making deposits, recording receipts or reconciling bank accounts. The mail person is located in the Finance Department and is responsible for receiving, sorting and distributing mail to the assigned staff members. For example, all Bank, Investment or Financial documents are delivered to the Accounting Managers unopened. All Human Resource documents are delivered to HR unopened.
- Two **check signers** are required for all disbursements and wire transfers over \$20,000. All other checks are reviewed and approved for payment by two levels of accounting and the Executive Director or designee prior to being distributed.
- The Finance Director is responsible for **assigning staff** for recording or reconciling responsibility of revenues and expenditures. All processes have at least two levels of review prior to approval for distribution or allocation.
- **Bank reconciliations** are completed by Accounting Managers and reviewed and approved by the Finance Director. Bank statements are delivered directly to the Accounting Manager and can be accessed directly online at the bank.
- **Journal Entries (JE)** have two levels of review and approval prior to being posted to the general ledger. Manual JE’s are processed through the software, but hard copies of all JE’s are maintained to ensure documentation of approval. Automated JE’s are not reviewed and approved prior to posting since it is an internal process, but back-up documentation can be provided.
- **Cash management** is balanced and reconciled by the fiscal department, which includes separate cash drawers for each employee and two levels of review and approval prior to funds being deposited at the bank. The roles assigned in cash management are rotated amongst staff and supervisors.
- **Capital Fund projects** are reviewed monthly and reconciled quarterly.
- **Fixed Assets** are identified annually and are posted to the general ledger and depreciated once they have been placed into service.
- **Wire Transfers** are conducted to prevent misappropriation of cash and investments. Finance is instructed to wire transfer funds only to accounts in the name of the organization and with the specific account numbers provided. Two levels of review and approval are required by the bank and AHA.
- **Signature and date line** proof of the preparer and reviewer are provided by each piece of documentation in the internal control chain (e.g., the receipts log, the disbursements journal,

check authorizations, and bank reconciliations) have a signature and date line for the preparer and the reviewer.

- **Crime Insurance for the Housing Authority** is obtained since even the best system of internal controls cannot protect against fraud in the case of employee collusion. Specifically, AHA possesses crime insurance, which is there to cover AHA for employees who have access to the organization's funds and other assets.
- **Decreasing Opportunity** - The goal of internal controls is to minimize opportunity for theft, fraud or error. When a regular accounting employee is on vacation, the assumption of these duties by another employee provides a good opportunity to spot inefficiencies or fraud. Cash management is rotated to ensure changing staff and changing reviewers.

Division of Duties

The following is a list of personnel who have responsibilities within the accounting department:

Finance Director:

1. Reviews and approves all financial reports.
2. Reviews and approves annual budget.
3. Reviews all vouchers and invoices which require his or her signature.
4. Develops the annual budget with assistance from the Accounting Managers and input from the Executive and Program Directors.
5. Reviews and approves all contracts for goods and services that will exceed \$20,000 over the year.

Accounting Manager:

1. Receives unopened bank statements.
2. Reviews all financial reports.
3. Reviews and approves list of pending check disbursements.
4. Initiates and authorizes all interfund transfers (One manager initiates while the other manager authorizes at the bank).
5. Reviews the payroll summary for the correct payee, hours worked and check amount.
6. Reconciles the bank accounts.
7. Reconciles P-card account.
8. Reviews and approves VMS report.
9. Approves all reimbursements.
10. Manages the Fixed Asset accounts.
11. Assists with the preparation of the SEFA.

Accountant:

1. Manages the petty cash fund.
2. Verifies the daily deposit.
3. Manages Capital Fund disbursements and reimbursements.
4. Supervises Daily Operations.
5. Assists Daily Operations with month-end close duties.
6. Prepares yearly budget and settlements for HCV programs (SRO4, MR02, etc.)
7. Assists with the preparation of the SEFA.

(Senior) Accounting Technician:

1. Processes the payroll, including payroll tax returns.
2. Maintains and reconciles the general ledger monthly.
3. Reconciles the statement of credit card deposits and service charges.
4. Creates POs for payables and P-Cards.
5. Handles charges concerning move-outs and processes security deposit refunds.
6. Runs (Utility Allowance Payment) UAP checks.
7. Back-up to the main cashier.
8. Processes Landlord payments.
9. Creates the VMS report.
10. Assists with deliveries in the warehouse.

Accounts Payable Technician:

1. Reconciles vendor accounts.
2. Processes vendor invoices for payments.
3. Maintains the utility consumption reports.
4. Reconciles the AP sub-ledger to the G/L monthly.
5. Prints and mails all vendor checks for payments.

Office Assistant (Cashier):

1. Receives and opens all incoming mail, *except* bank statements, RFP's and all HR documents.
2. Prepares cash receipts log and invoice log.
3. Receives monthly payments from tenants.
4. Assists with other duties as assigned (filing, organizing, etc.)

Desktop Procedures

All financial staff has developed “desktop” procedures that have been approved by an independent auditor as well as the Finance Director. Desktop procedures ensure that the employee is following appropriate measures for Internal Controls and Separation of Duties. In the case of an employee's absence the desktop procedures can be utilized to ensure consistent operational practices are being followed. Desktop procedures are sent to the Finance Director and placed on the Finance drive located at *Z:/Finance/Procedures*.

Interim Financial Reports

The purpose of the Finance Department is to provide financials to the board, administration of the authority and to the public throughout the fiscal year. Generally, interim financial reports are unaudited and do not consist of a complete set of financial statements like those issued at the completion of the year-end audit.

The following reports (except for the operating statement) are typically produced during the audit. On a quarterly basis, the board receives a condensed version of set of these reports (see Exhibit B). This allows the Board and Management to be informed of any changes in the financials throughout the year.

- Combined Balance Sheet - Statement of Financial Position.
- Income Statement - Statement of Activities and Changes in Net Assets.

- Notes to the Financial Statements.

The information in these statements can be a useful tool for:

- Monitoring revenue, support, expenses and comparing them to prior periods and budgeted amounts.
- Planning additional programs and services for current or future years.
- Determining if additional cost containment, need for additional funding or budget adjustments are warranted.
- Analyzing the results of a specific program area.

Year End Process & Compliance Plan

An Independent Audit

AHA is required by HUD and the State of New Mexico to have an annual financial audit by an Independent Certified Public Accountant. The audit is an examination of the organizations financial statements to ensure that they are presented fairly in all material respects according to GAAP. An audit involves detailed levels of testing.

Selecting an Auditor

A Request for Proposals (RFP) should be prepared to solicit bids for accounting services. The RFP should briefly describe the organization, its accounting system, the type of service requested (e.g., audit of basic financial statements, an A-133 audit, preparation of the 990 tax return, a management letter, and a presentation to the board) and the desired timing of the work and delivery of the reports.

Independence Day for AHA

As of July 1, 2014 AHA is a public body-corporation and is recognized as a quasi-governmental agency. The quasi-governmental part is that the Housing Authority is a component unit of the city of Albuquerque and, per State of N.M. statute, is reported as a component unit on the City's CAFR.

“.....2.2.2.12 B. PERTAINING TO AUDITS OF HOUSING AUTHORITIES:

(1) Housing authorities within the State of New Mexico consist of regional housing authorities, component units or departments of local governments, component units of housing authorities, and a housing authority created by an intergovernmental agreement between a city and county that is authorized to exercise all powers under the Municipal Housing Law Section 3-45-1 et seq. NMSA 1978.

(2) The financial statements of a housing authority that is a department or component unit of a primary government, must be included in the financial audit report of the primary government by discrete presentation unless an exemption from this requirement has been obtained from the State Auditor..”

Since the Housing Authority is an agency that expends more than \$750,000 in federal awards in a given year, it is required to have a single audit conducted. Single audit are conducted in accordance

with 2 CFR 200 Subpart F, and audits are performed in accordance with Uniform Guidance standards issued by the Government Accountability Office.

- **Financial audits** focus on the financial statement balances and disclosures.
- **Single audit**, (2 CFR 200, Subpart F), uniform administrative requirements, cost principles, and audit requirements for federal awards.

After the audit is completed, AHA is required to submit its financials to the following:

- City of Albuquerque - AHA is included as a component unit – Due November 15th.
- State of New Mexico Auditor – Due December 1st
- HUD – FDS is due March 30th online and at the Regional HUD office.

Year End Plan

The Finance Department works on a year-end plan that allows staff to be prepared for the Fiscal Year end on June 30th. Detailed explanation is provided in the **Year-end Procedures** but an overview is provided but not limited to the following:

- Year end Processing check list is followed as well as scheduled staff meetings.
- Revenue schedules for the year are reconciled to the General Ledger.
- Expense by fund – A review of all AP and expense accounts to the budget.
- Escrow accounts – FSS participants and Security and Pet Deposits are reconciled.
- Liability accounts – Reconciled.
- Program and Project Fees are reviewed and closed for the year.
- Capital Fund – Projects, files and reconciliations to the annual Fiscal Year vs. Calendar Year grant.
- SEFA reporting – Reconcile all grant Fiscal Year disbursements.
- Interfund accounts are reconciled, bank transfers completed and journal entries processed no later than June 30th.
- Accruals – Vendor accounts audited and obligations to HUD or COA.
- Pre-payments – Insurance, benefits and lease payments.
- Accounts Payable – year end procedures, verify any open PO's, PR's and invoices, reconcile sub-ledger to G/L.
- Purchasing – Manual audit and review of existing purchase orders and commitments.
- Inventory –manual and G/L audit.
- Work Order – Work in conjunction with the Maintenance department to close out.

All documentation is reviewed and prepared for the audit by the Finance Staff.

Federal grants are awarded and reconciled on a Calendar Year.

The Budget

AHA staff is accountable for the creation of the individual Capital Fund budgets, Five (5) year Budget Plan, annual Action Goals, specific Program and Project budgets, as well as the Annual Financial Budget for all AHA Departments. All budgets and master plans for AHA are a collaborative process among key staff members, management, the Executive team and the Board of Commissioners. This section discusses the Annual Financial Budget which includes the basic operating fund and includes the various agency funding programs utilized by AHA. Upon completion and adoption of the budgets, all information is presented and made available to the public. The Board Approved Budget is submitted to HUD no later than June 30th, which is the close of the fiscal year for AHA.

The development and implementation of the annual financial budget is an integral part to the daily operating success of the agency.

- It provides comparative monthly reporting to the Board and Executive team.
- It is completed in collaboration with staff members and departments over a series of meetings throughout the year.
- It is a roadmap for utilizing resources and meeting the agency goals.
- It supports AHA program success and ensures fiscal viability throughout the year.

The Executive Director and Deputy Director are responsible for presenting the budget to the Board of Commissioners. Development of the budget takes into consideration the following ideology:

- **Budget assumptions** are realistic and objective with respect to market conditions (e.g., personnel costs are in line with similar positions in the community or field of expertise).
- **Specific types of revenue or expense** will not jeopardize the organization's tax-exempt status (e.g., unrelated business income, lobbying expenses, and unallowable costs).
- **Relative seasonality** of the organization has been addressed and provisions have been made to manage funds available or short-term borrowings (cash receipts and disbursements seldom occur uniformly over a twelve-month period).
- **Indirect costs** associated with management and general activities can be justified to total program expenses.
- **Budget is prepared in sufficient detail**, including a narrative that clearly explains the magnitude of the projected dollars for both revenue and expense categories.
- **Projected individual expenses** as a percentage of total projected revenues, gains and other resources are reasonable in relation to other non-profit organizations of a similar size and nature of operations.

Every effort is made to combine program, department and agency goals in the budget. Limited resources will be utilized to maximize benefits to the recipients of AHA programs. The staff incorporates AHA core values to present accountability, compassion, service, integrity and stewardship in applying the approved budget to each department.

Cost Allocation Plan

The purpose of our cost allocation plan is to summarize, in writing, the methods and procedures that this organization, Albuquerque Housing Authority (AHA), will use to allocate costs to various programs, grants, contracts and agreements.

2 CFR 200 Subpart E “Cost Principles” establishes the principles for determining costs of grants, contracts and other agreements with the Federal Government. These principles also apply, by reference, to certain contracts.

Albuquerque Housing Authority (AHA) Cost Allocation Plan is based on the Allocation method described in the Final OMB Uniform Guidance: Cost principles, Audit and Administrative Requirements for Federal Awards Subpart F and Subpart E – Cost Principles, released in December 2014. The OMB “Super” Circular establishes principles and standards for determining allowable direct and indirect cost for Federal awards. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

1. **Direct costs** are those that can be identified specifically with a particular final cost objective or contract or program.
2. **Indirect costs** are those that have been incurred for common or joint objectives and cannot be readily identified with a particular contract or program.

Only costs that are allowable, in accordance with the cost principles, will be allocated to programs or contracts. Please refer to the Cost allocation plan for further details.

In conclusion, this Accounting Policy was updated after the OMB implemented the Uniform Guidance referred to as the Super Circular in December 26, 2014.

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

The Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented in December 2014 by the Council on Financial Assistance Reform (COFAR - now dissolved). The Uniform Guidance – a "government-wide framework for grants management" – is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier OMB circulars.*

The reforms that comprise the Uniform Guidance aim to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds. Among other things, the OMB's Uniform Guidance does the following:

- Removes previous guidance that is conflicting and establishes standard language;

- Directs the focus of audits on areas that have been identified as at risk for waste, fraud and abuse;
- Lays the groundwork for Federal agencies to standardize the processing of data;
- Clarifies and updates cost reporting guidelines for award recipients.

**The Guidance was drawn from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in past OMB guidance); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.*