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# PHA Internal Controls

## POLICY INTRODUCTION

In order to safeguard against losses from theft, fraud and waste the Princeton Housing Authority (“PHA”) hereby establishes a system of internal controls that will ensure that the programs are implemented in an honest, efficient and effective manner. Internal controls are the plans, methods and procedures adopted by management to assist in managing the financial assets and adhering to the approved budget. These controls are designed to ensure that:

- Resource use is consistent with laws, regulations, and policies;
- Resources are safeguarded against waste, loss, and misuse; and
- Reliable data are obtained, maintained, and fairly disclosed in reports.

The Board of Commissioners is responsible for developing a system to support internal controls. By providing clear and concise policies and guidelines to the Executive Director, opportunities for fraud and mismanagement are greatly reduced. The Executive Director, in turn, is responsible for implementing the internal controls in the daily operations of the PHA.

There are three critical internal controls that should apply to all functions. These three controls are:

1. **Separation of duties:** An ideal system of internal controls will separate the functions of authorizing transactions, recording the transactions, and maintaining custody of the assets involved.
2. **Supervision of employees:** Proper supervision can guarantee that the written policies of the PHA are actually carried out in the day-to-day operations.
3. **Review of critical documents:** Management should review critical documents such as payroll documents, accounts payable listings, etc. to ensure that there are no unauthorized transactions listed.

The internal controls should be applied to the four major functions of the PHA. The following internal control procedures are segregated based on the four functions of:

1. Board Oversight;
2. General Management;
3. Program Management; and
4. Financial Management.

## **Section 1.0 PETTY CASH**

### **Policy**

Proper internal control will be followed to ensure only valid and authorized use of petty cash funds. Accounting will maintain accurate records over petty cash and abide by proper internal controls. Only small purchases under \$100.00 may be made through the use of petty cash.

### **Purpose**

To explain the procedure for authorized use of petty cash funds.

### **Scope**

This procedure applies to all employees.

### **Procedure**

#### **I. Account Establishment**

A petty cash account should be established in an amount sufficient to cover small purchases made during a reasonable period (e.g. one month). Petty cash purchases should be kept to a minimum and funds should not be used for repetitive purchases.

#### **II. Authorized Usage**

To request reimbursement from the petty cash account, a [Petty Cash Request](#) form should be completed and submitted to the Executive Director or designee. Petty cash may be used for items such as: reimbursement to employees for the purchase of goods or services and supplies; and reimbursement to employees for meals and fees paid for attending a pre-approved professional development or training meetings.

Any reimbursement must be approved by the Executive Director or designee prior to the cost occurrence. Any reimbursement to the Executive Director must be approved by the Deputy Director and a member of the Board of Commissioners.

#### **III. Security**

Access to the account is limited only to the Executive Director and Deputy Director. The petty cash envelope is to be held in a locked cabinet at all times.

#### **IV. Reconciliation**

The petty cash account will be periodically reconciled and replenished by the Deputy Director. All receipts in the petty cash envelope need to be signed and dated by the Deputy Director as well as the employee that incurred the expense. Receipts from the Deputy Director must be signed by the Executive Director and a member of the Board of Commissioners, as well as the Executive Director.

#### **V. Audit**

The petty cash account is subject to audit by the Fee Accountant and oversight agencies, including but not limited to HUD.

## **Section 2.0 ACCOUNTS PAYABLE AND DISBURSEMENTS**

### **Policy**

Proper internal control will be followed to ensure only valid and authorized payables are recorded and paid. Accounting procedures will be implemented to ensure the accuracy of amounts, coding of general ledger accounts and appropriate timing of payments.

### **Purpose**

To explain the procedures for documenting, recording, and issuing payments for accounts payable transactions.

### **Scope**

This procedure applies to all purchases including COD amounts and reimbursement of travel and expense reports.

### **Procedure**

#### **I. Documenting Accounts Payable**

Upon receipt, all purchase orders and vendor invoices should be stamped with the received on date. The following documents will be forwarded to the bookkeeper for temporary filing and subsequent matching to form an accounts payable voucher package:

- Purchase Order with purchase requisition if applicable;
- Packing Slip with receiving report if applicable; and
- Vendor invoice.

Once the bookkeeper has all of the above documents, the following steps will be performed to ensure proper authorization, validity of purchase, receipt of purchased items or services, and accuracy of amounts:

- The vendor invoice will be attached to the top of the packing slip and receiving report followed by the purchase order and requisition (if applicable).
- The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity by the bookkeeper. If there is no purchase order, the invoice should be initialed by the bookkeeper.
- The quantities shown shipped or delivered on the invoice will be compared to the packing slip and/or receiving reports by the respective Department Head (Executive Director, Deputy Director, Office Manager, Maintenance Supervisor, etc.). Any discrepancies must be followed-up and resolved prior to commencing with the voucher process.
- Calculations on the invoice will be recomputed such as quantities received multiplied by unit price and totals.

#### **II. Recording**

Once the accounts payable voucher package has been properly assembled and reviewed, it will then be batched with other voucher packages and entered into the computerized accounts payable system monthly by the bookkeeper.

The voucher package will then be temporarily filed in the unpaid invoice files to await payment.

### III. Payment of Accounts Payable

Accounts payable invoices will be paid in accordance with their terms for payment following review by the Executive Director and approval by the Finance and Legal Committee of the PHA Board of Commissioners. Accounts payable should be paid within thirty (30) days of the invoice date unless otherwise determined by the Executive Director.

A pre-posting list of checks will be printed by the bookkeeper and reviewed by the Executive Director. Upon successful review and signed approval by the Executive Director, checks will then be printed for the accounts payable invoices to be paid.

After the checks are printed, they will be matched to the voucher package and submitted for approval to the Finance and Legal Committee of the PHA Board of Commissioners. In addition to the voucher package, Executive Director approval, the Unposted Invoice Audit Report will be provided to the Finance and Legal Committee. Upon receipt of Finance and Legal Committee approval, the checks will be signed by two authorized signatories. Upon return of the checks to the bookkeeper, a copy will be made and the package will be distributed as follows:

- **Original:** mailed to the vendor along with any necessary payment stubs.
- **Copy:** attached to the voucher package and filed by date in the vendor folder.

## Section 3.0 ISSUING INVOICES UNDER SHARED SERVICE AGREEMENTS

### Policy

Proper internal procedures will be followed to ensure that only valid and authorized shared services are invoiced. Accounting procedures will be implemented to ensure the accuracy of amounts invoiced under Shared Service Agreements.

### Purpose

To explain the procedures for documenting, recording, and issuing invoices for shared services.

### Scope

This procedure applies to all services provided under a Shared Service Agreement.

### Procedure

#### I. Documenting Shared Services

Shared services shall be provided at the direction of the Other Party to the Shared Service Agreement.

Invoices for services provided under a Shared Service Agreement shall be submitted by the PHA on a monthly basis, along with supporting documentation for the amount billed. This supporting documentation shall be in the form of a ledger for each individual providing services listed on the invoice. In addition to maintaining a ledger, individuals must check in and check out with the Other Party's designated staff member when providing on-site services.

## II. Submission and Verification of Invoices

The Deputy Director shall submit the following package to the Other Party's designated staff member for review and approval/rejection:

- Invoice for services provided under the Shared Service Agreement
- Supporting documentation (i.e. ledgers)

The Other Party will confirm the amount of the invoice by verifying the individual ledgers. Once confirmed, the invoice and supporting ledgers will be included in the package for the next available Board of Commissioners meeting.

## III. Payment of Invoices

Invoices will be paid by the Other Party in accordance with their terms for payment following approval. Invoices should be paid within thirty (30) days of the invoice date.

Checks from the Other Party shall be signed by two authorized signatories.

## Section 4.0 PROCESSING INVOICES UNDER SHARED SERVICE AGREEMENTS

### **Policy**

Proper internal procedures will be followed to ensure that only valid and authorized shared services are recorded and paid. Accounting procedures will be implemented to ensure the accuracy of amounts invoiced under Shared Service Agreements.

### **Purpose**

To explain the procedures for documenting, recording, and issuing payments for shared services.

### **Scope**

This procedure applies to all services provided under a Shared Service Agreement.

### **Procedure**

#### I. Documenting Shared Services

Invoices for services provided under a Shared Service Agreement shall be submitted to the PHA on a monthly basis, along with supporting documentation for the amount billed. This supporting documentation shall be in the form of a ledger for each individual providing services listed on the invoice. In addition to maintaining a ledger, individuals must check in and check out with the Deputy Director or any designee when providing on-site services.

#### II. Submission and Verification of Invoices

The bookkeeper shall require the Other Party's designated staff member to submit the following package to the PHA for review and approval/rejection:

- Invoice for services provided under the Shared Service Agreement
- Supporting documentation (i.e. ledgers)

The bookkeeper will confirm the amount of the invoice by verifying the individual ledgers. Once confirmed, the invoice and supporting ledgers will be sent to the Finance and Legal Committee of the PHA Board of Commissioners for review and approval.

### III. Payment of Invoices

Following Board approval of the shared services agreement, invoices will be paid in accordance with their terms for payment. Invoices should be paid within thirty (30) days of the invoice date unless otherwise determined by the Executive Director.

Each month, the bookkeeper will prepare a payment sheet for review and approval by the Executive Director. Upon signed approval by the Executive Director, the bookkeeper will then print a check for the shared service invoice to be paid and forward to two authorized signatories.

The signed check will be returned to the bookkeeper, who will make a copy and distribute as follows:

- **Original:** mailed to the entity providing shared services.
- **Copy:** attached to the shared service package and filed by date in the vendor folder.

## Section 5.0 PROCESSING INVOICES FOR CONTRACTED SERVICE PROVIDERS

### Policy

Proper internal procedures will be followed to ensure that contracted service providers work is documented and paid according to terms of the initiating Board resolution or Executive Director approved contract with the PHA. Accounting procedures will be implemented to ensure the accuracy of amounts invoiced.

### Purpose

To explain the procedures for documenting, recording, and issuing payments for individuals or firms who provide services through contracts with the PHA.

### Scope

This procedure applies to all individuals or firms who provide service through a contract agreement with the PHA which is not part of a Shared Service Agreement.

### Procedure

#### IV. Documenting Contract Service Providers

Invoices for individuals or firms who provide service through contracts shall be submitted to the PHA on a monthly basis on a [Service Provider Payment Request form](#) (SPP-R). The specific work performed (NSPIRE review, tenant recertification processing, board packet preparation, etc.), location it was undertaken (on-site at main office, from home office, on-site at maintenance office, etc.), hours, and initials of PHA staff who can verify work performed by the contract service provider must be completed prior to submission for payment. Individuals must check in and check out with the Deputy Director or designee when providing on-site services.

#### V. Submission and Verification of Invoices

The bookkeeper shall require the service provider to submit the following package to the PHA for review and approval/rejection:

- Invoice for services provided under the contract
- [Service Provider Payment Request form](#)

The bookkeeper will confirm the amount of the invoice by verifying the hours on the SPP-R and the payment rate from the contract. Once confirmed, the invoice and SPP-R will be sent to the Finance and Legal Committee of the PHA Board of Commissioners for review and approval.

## VI. Payment of Invoices

Following Board approval of the initial contract, invoices will be paid in accordance with their terms for payment. Invoices should be paid within thirty (30) days of the invoice date unless otherwise determined by the Executive Director.

Each month, the bookkeeper will prepare a payment sheet for review and approval by the Executive Director. Upon signed approval by the Executive Director, the bookkeeper will then print a check for the contracted service provider invoice to be paid and forward to two authorized signatories.

The signed check will be returned to the bookkeeper, who will make a copy and distribute as follows:

- **Original:** mailed to the entity providing contracted services.
- **Copy:** attached to the contracted service package and filed by date in the vendor folder.

## Section 6.0 CHECK REQUESTS

### **Policy**

To ensure efficient processing and record keeping, all employee check requests will be prepared on a written check request form.

### **Purpose**

To describe the process for completing a check request form.

### **Scope**

All employee check requests.

### **Procedure**

#### I. Origination

Whenever an employee requires a check to be issued for reasons such as picking up items or for cash on delivery items which exceed the limit set forth in [Section 1.0 Petty Cash](#), a [Check Request](#) form should be obtained from the Deputy Director. The [Check Request](#) form should be completed with all pertinent information and presented to the Deputy Director for approval. If the Deputy Director is requesting a check, the [Check Request](#) form shall be submitted to the Executive Director and a member of the Board of Commissioners for approval.

#### II. Processing

Once approved, the form should be forwarded to the bookkeeper for check preparation and submission for signature by two authorized signatories. Relevant receipts and/or invoices must be attached to all [Check Request](#) forms.



## **Section 7.0 CHECK RECEIPTS**

### **Policy**

Accurate internal control of checks received and deposits will be maintained at all times. Deposits will be made within 5 business days.

### **Purpose**

To establish the procedures to be followed for receiving, applying and depositing check receipts and for handling discrepancies (overages or shortages).

### **Scope**

This procedure applies to all checks received by the PHA.

### **Procedure**

#### **I. Receiving and Application**

The Office/Housing Manager will receive payments for rent from the drop boxes at each development or through mail. The Bookkeeper will record all payments and at the end of the week will total receipts and count the number of checks. The Deputy Director will verify the total of the receipts against the software-generated totals.

The Deputy Director will then endorse all checks with the restrictive endorsement "For Deposit Only" along with the PHA's designated bank deposit account number. No check should be withheld from deposit unless it is legally imperfect.

The Deposit Ticket and payments will then be scanned into the site deposit machine or taken to the bank by the Deputy Director. A copy of the Deposit Ticket and software-generated totals, including printer receipts, will be forwarded to the Executive Director.

The Bookkeeper will use the copy of the Deposit Ticket, software-generated totals, and printer receipts to apply the payments to the accounts receivable General Ledger through the system software.

The Office/Housing Manager are solely responsible for taking and recording payments. The Office/Housing Manager will be in charge of the receipts drawer from the opening of the business day to the making of the deposit. When the Office/Housing Manager leaves the office area, they are to leave the receipts drawer secured in their office. Other designated PHA personnel are authorized to take payments but not record them. Once the Office/Housing Manager returns, they will take the receipts drawer out of the locked area and record any payments received in their absence.

#### **II. Deposits**

The Deputy Director will utilize the check scanner to process the deposits. Deposits made through the scanner must match the Accounts Receivable Apply Payments Transaction report from system software. Vendor checks will also utilize the check scanner for deposit however they must match to a corresponding journal entry in the General Ledger.

#### **III. Overage/Shortages**

The Deputy Director will review all cases of discrepancies and bring them to the attention of the Executive Director. The Deputy Director should take immediate steps to investigate any discrepancies and take action accordingly. Discrepancies must be officially documented and recorded in the accounting records.

## **Section 8.0 BANK ACCOUNT RECONCILIATIONS**

### **Policy**

Errors or omissions may be made to the receipts record due to the many transactions that occur. Therefore, it is necessary to prove periodically the balance shown in the general ledger.

### **Purpose**

To outline the procedures for preparation of a monthly bank reconciliation and record keeping of any adjustment.

### **Scope**

This procedure applies to any and all bank accounts maintained by the PHA.

### **Procedure**

#### **I. Format**

The PHA's format for monthly bank reconciliations should be a function of the software utilized to record and maintain transactions within the general ledger accounts.

#### **II. Preparation and Reconciling Items**

Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transaction notifications, the monthly bank reconciliations will be prepared by the Fee Accountant. The bank reconciliation process will include visual inspection of each canceled check as to payee and proper signature. Each canceled check shall be matched to the disbursement records to ensure that the payee and amount matches. Periodic review of Online Banking Account information can also be utilized to verify deposits, cleared checks, and any other notifications.

Any discrepancies noted during the automated process of the reconciliation will require research by the Fee Accountant to determine the cause, such as recording errors, omissions, incorrect postings, etc. This can also include recalculation of the bank statement for any possible errors made by the bank.

#### **III. Adjustments and Journal Entries**

Any book reconciling items such as recording errors will be summarized and drafted in journal entry form for recording in the general ledger.

Any outstanding checks over six (6) months old will be reviewed for disposition including write-off by journal entry.

## **Section 9.0 TENANT STATEMENTS AND ACCOUNTS RECEIVABLE**

### **Policy**

The Office/Housing Manager is responsible for the timely preparation and distribution of statements to optimize cash flow and payment promptness by tenants. The Office/Housing Manager will also maintain accurate records over accounts receivable and abide by proper internal controls.

### **Purpose**

To explain the methods for preparation of statements and accounts receivable

records processing.

## Scope

This procedure applies to all rents and maintenance charges provided by the PHA.

## Procedure

### I. Work Order Routing and Review

A Maintenance Supervisor will immediately forward completed work orders containing charges for work completed and determined to be the responsibility of the tenant to the Deputy Director. The work order should contain information about work performed and parts used to complete the job. All pertinent charges for work completed and determined to be the responsibility of the tenant by the Deputy Director will be added by the Maintenance Supervisor. The Office/Housing Manager will then post maintenance charges to the tenants' accounts.

### II. Changes in Rent Calculation, Adjustments, and Reexaminations

Upon completion of the reexamination process, changes in rent, or rent adjustments, the Housing Manager will complete a 50058 or rent adjustment form. The Office Manager or Deputy Director will review the form then verify correct posting of any adjustments to the tenant's account. Changes in rent should be recorded in the recurring charge area of the automated accounting system.

### III. Tenant Accounts Receivable

The Office/Housing Manager will receive and process payments from tenants in accordance with the [Check Receipts](#) procedure.

The tenant accounts receivable collection process shall follow the steps below:

#### 1<sup>st</sup> missed payment

- 14-day letter – documented in PHA-WEB
- 30-day follow up reminder call – documented in PHA-WEB

#### 2<sup>nd</sup> missed payment

- Follow up call to tenant to find out if there is an issue preventing payment – document call details in PHA-WEB
  - If there IS an issue that will persist beyond 2 months, recertify rent and possibly refer to Housing Stability Coalition (HSC)
  - If there is NOT an issue that will persist beyond 2 months, refer to HSC – document in PHA-WEB
- If no response from HSC within 14 days, Follow up call to HSC (Princeton Human Services Director) for status
  - ***A commitment letter from any HSC member organization will carry the weight of a check received and stop any further tenant actions***

#### 3<sup>rd</sup> missed payment

- If recertification is not an option and HSC declines, meet with tenant to create payment plan – document meeting and plan in PHA-WEB

#### **4<sup>th</sup> missed payment/failure to comply with payment plan**

- 14-day letter with reminder of terms of payment plan
- 30-day letter advising next step is referral to committee for possible eviction

#### **5<sup>th</sup> missed payment/failure to comply with payment plan**

- Include documentation details in a tenant packet and send it to the Finance and Legal Committee for review and response about legal actions. This may necessitate full board approval.
  - Committee approves legal action – will sign and send the tenant packet back to the office to forward to attorney
  - Committee declines legal action – will provide explanation and recommendations for next steps

The Executive Director shall periodically consider a write-off of uncollectible accounts. Write-offs must be approved by the Board of Commissioners. Accounts that are written off will be transferred from the accounts receivable ledger to a separate write-off ledger and control account for internal control purposes.

#### **IV. Procedure for Tenant Accounts Receivable (TAR) Write-Off**

Tenant Accounts Receivable (TAR) is a serious matter, which shall receive the undivided attention of the PHA staff. The best prevention of excessive TAR is to vigorously pursue collection as per all collection policies in place. After normal collection efforts do not result in payment of outstanding rent, please use the following guidelines:

- Vacated residents shall receive a statement within thirty (30) days of the effective date of the move-out, in the format provided by current policy or federal regulations.
- If due rent and charges are not paid within two weeks of the date of statement, uncollected vacated TAR, if over \$3,000, may be turned over to collection or reported to the credit bureau. The only exception to this policy would be those cases where an agreement has been signed for payment. These cases will not be turned over to the Credit Bureau until these efforts have been exhausted.
- The Deputy Director shall indicate on the monthly list of vacated accounts, which accounts are uncollectible, and why they are uncollectible.
- Uncollectible accounts shall be presented as often as necessary, but no less than annually, to the Board of Commissioners for write-off approval.

TAR shall be removed from the financial books only after the Board of Commissioners have adopted a resolution to remove the individual accounts.

The Executive Director and the Deputy Director shall receive a list of accounts written off by the Board of Commissioners on the day following such Board action. The Deputy Director shall remove these from the financial books immediately.

## FINANCIAL CONTROLS

### Section 10.0 PAYROLL

The PHA will:

1. Provide for separation of duties by prohibiting an employee from performing more than one of the following functions: employing staff and setting pay rates; handling accounting and reconciliations; preparing checks, signing checks, and issuing checks.
2. Require written authorizations in order to add or delete names from the payroll or to change salary rates.
3. Require in-person or spoken verification by an employee prior to processing a direct deposit change or request for that employee.
4. Authorize someone other than the payroll preparer to distribute paychecks.
5. Require monthly bank reconciliations by an employee or independent contractor whose duties are unrelated to payroll preparation.
6. Reconcile total checks disbursed to the payroll register.
7. Retain personnel records, including signatures of each employee.
8. Maintain payroll journals and records that meet payroll tax and information requirements of Federal and State authorities.
9. Have a third party do background checks on all employees who handle funds.
10. Run background checks for all employees who handle funds.
11. Issue only one paycheck per employee in each pay period.
12. Use salary and wage rates that have been approved by the Board.
13. Require Board approval to make changes in salaries.
14. Have management personnel review payroll registers to verify that there are no unauthorized or terminated employees or unusual amounts.
15. Require daily time reports that have been reviewed by a supervisor as to hours worked and program allocations (if any).
16. Ensure that all time and attendance records are safeguarded and inaccessible to unauthorized personnel.
17. Maintain record of all voided or unclaimed checks.

## **Section 11.0 REVENUE**

The PHA will:

1. Perform initial and annual certifications of resident eligibility and income. Use HUD forms and checklists, and have supervisor approve calculations.
2. Maintain rent rolls.
3. Have a supervisor review rent receipts, adjustments, and reconciliations of totals.
4. Provide separation of duties by prohibiting the same employee from approving applicants, processing accounts receivable, and handling receipts.
5. Segregate duties of handling receipts and posting receipts to the general ledger accounts.
6. Reconcile receipts with deposits and bank statements.
7. Have a supervisor perform surprise counts on a periodic basis.
8. Deposit receipts in the bank on a daily basis.
9. Prohibit cashing checks out of the receipts.
10. Issue pre-numbered receipts in sequential order for all checks received. Have the receipt signed by the person receiving the payment, have voided receipts marked as void, ensure that receipts are safely stored in a locked file, and prohibit the use of temporary receipts.
11. Post to ledgers from the receipts.
12. List all incoming checks and subsequently reconcile them to deposits.
13. Keep all record books current.
14. Prohibit employees who open mail from having access to receivable records. Have the person prepare a listing of money and checks received.
15. Have receipts issued for any rent received by mail (see item 10 above).
16. Retain checks in a locked cabinet between posting and deposit.

## **Section 12.0 ACCOUNTS PAYABLE AND EXPENDITURES**

The PHA will:

1. Prohibit the same employee from making purchases and selecting vendors, preparing the vouchers and accounts payable records, and signing and mailing checks.
2. Prepare budget to actual reports and have an authorized purchaser check the operating budget to verify that the purchase is allowed, and that a purchase order has been prepared.
3. For material items, follow Federal guidelines regarding obtaining competitive proposals and/or bids. Obtain independent certification by experts if necessary.

4. Obtain Board approval for any budget overruns in excess of \$2,000.
5. Have management review quotes and bids before awarding contracts.
6. Use approved vendor lists when available.
7. Make all disbursements by check, except for petty cash items.
8. Require two signatures on all checks.
9. Use pre-numbered checks in sequential order.
10. Deface voided checks with "VOID" written on the check and retain all voided checks.
11. When performing bank reconciliations, review check endorsements.
12. Ensure that unused checks are safeguarded under the custody of employees who do not sign checks, control signature plates, or operate signature machines.
13. Prohibit drawing checks to "cash" or "bearer".
14. Prohibit signed blank checks in advance.
15. Have the Board designate authorized check signers in writing.
16. Use receiving reports to verify that disbursements are only for goods and services received.
17. For large purchases or contracts, pay only for the percentage of the product that is delivered or for work that is performed. Have independent personnel assess the amount of work completed. Review change orders to prevent cost overruns.
18. For modernization and construction, verify that requests for funds from HUD are supported by properly approved vouchers, and that the checks are issued promptly after the receipt of HUD funds.
19. Prohibit check signing by the person making the check request.
20. Prepare checks after verifying that the supporting documents are correct. There should be evidence of authorization or purchase order, receipt of goods, original invoice, verification of footings, extensions, etc. and account distributions. Invoices should be canceled upon payment.
21. Investigate and cancel old outstanding checks.

### **Section 13.0 PROPERTY AND EQUIPMENT**

The PHA will:

1. Segregate duties by prohibiting the same employee from planning and approving capital expenditures, processing documents evidencing delivery or construction, maintaining physical custody of property, and using assets.
2. Maintain detailed fixed asset records in accordance with HUD requirements.
3. Make periodic physical inventories of non-expendable equipment.
4. Make periodic reviews and appraisals relative to insurance considerations.

5. During construction projects, safeguard assets by establishing inventory procedures and hiring security guards.
6. Place identification tags on all equipment.
7. Ensure that all property additions are authorized in the approved Budget.
8. Ensure that all retirements of property are authorized by the Board.
9. Follow the Capitalization Policy regarding equipment. Determine when items should be capitalized versus expensed.
10. Provide adequate insurance for all property.
11. Safeguard inventory records against loss, fire, theft, or misuse. Records should be stored in a locked cabinet.
12. Require odometer reading and personal identification code for use of PHA charge cards at gas stations.

### **Section 14.0 TREASURY**

The PHA will:

1. Provide for segregation of duties by prohibiting the same employee from making investment decisions, performing accounting duties for investments, and maintaining custody of the checks and investments.
2. Ensure that all investments are restricted to those authorized by HUD.
3. Obtain Board approval of investments to ensure that established policies are being met.
4. Include authorized investment transactions in the published minutes.
5. Review investment returns and assess level of earnings.
6. Develop a budget which provides for monthly cash flow requirements and supports requisition of funds.
7. Invest excess cash in appropriate investments which will mature or be available when the cash is needed.
8. Limit bank accounts to institutions with FDIC insurance and amounts covered under the FDIC limits. Obtain collateral agreements of GUDPA notices for deposits in excess of insured amounts.
9. Keep securities in a locked cabinet or with a corporate trustee.
10. Require more than one employee to authorize release of securities from safekeeping.
11. Hold securities in the name of the PHA only.
12. Require the securities custodian to be bonded.
13. Keep perpetual records of each security reflecting all pertinent information.



14. Record investment income on a timely basis.
15. Record investment income in the proper account or program from which the investment was made. If excess cash from several programs is pooled in one investment, maintain adequate records to show the proper program allocation of earned income.

### **Section 15.0 FINANCIAL REPORTING AND BUDGET MANAGEMENT**

The PHA will:

1. Provide for segregation of duties by prohibiting the same employee from preparing budgets, making journal entries, processing general ledgers, and performing computer functions.
2. Require journal entries to have documentation and approval before being recorded in the general ledger.
3. Reconcile general ledger balances to subsidiary ledgers on a regular basis.
4. Have an annual audit performed in accordance with HUD requirements.
5. Require conflict of interest statements from PHA staff and Board members.
6. Ensure that all books of account are kept current, balanced monthly, maintained by an employee who does not disburse funds, and maintained with control accounts posted regularly.
7. Provide annual independent audit reports to HUD.
8. Retain an attorney to prepare annual assessment of lawsuits noting their estimate of loss as probable, possible, or remote.
9. Provide operating statements to senior management and the Board of Commissioners at least quarterly. These statements will identify major differences between budgeted and actual results of operations for all budget line items (income and expense). The reasons for variances between budgeted and actual income and expense line items will be researched and explained.

### **Section 16.0 OVERSIGHT CONTROLS**

1. Written procedures will be provided to all employees.
2. Employees will have access to adequate training and supervision.
3. HUD manuals will be available for review and assistance pertaining to policies and procedures required by employees.
4. All PHA employees will have clearly defined duties and job descriptions.
5. Employees will be required to take regular vacations. Their duties will be completed by another person while the employee is on vacation.
6. Background checks will be performed during the hiring process.
7. Cashing employee and/or tenant checks will be prohibited.

8. The Board will demonstrate active involvement in the activities of the PHA.
9. The Board will be required to review and approve the annual budget, annual financial statements, monthly budget versus actual expenditure reports, and investment transactions.

### **Section 17.0 GENERAL MANAGEMENT CONTROLS**

The PHA will:

1. Use physical safeguards to protect checks and other assets.
2. Restrict and document the number of employees who have access to the locked cabinet designated for check receipts.
3. Provide drawers with locks for accounts receivable staff.
4. Provide a physical layout that permits visibility by supervisors and employees.

**Appendix A - Petty Cash Request form**



**179 Spruce Circle, Princeton, NJ 08540**

**Phone: (609) 924-3448**

**Fax: (609) 924-1663**

**Petty Cash Request form**

**Employee Information**

Name	
Date	

**Expense Information**

Date	
Vendor/Organization	
Expense Amount (\$)	
Receipt Attached?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Description	

**Approval Information - OFFICE USE ONLY**

Approver Name	
Approval Date	
Accounting GL Code	
Accounting Note(s)	
Approval Signature	
Cash Amount (\$) Disbursed	
Disbursal Date	

**Appendix B - Service Provider Payment Request form**



179 Spruce Circle, Princeton, NJ 08540

Phone: (609) 924-3448

Fax: (609) 924-1663

**Service Provider Payment Request form**

**Service Provider Information**

<b>Name</b>	
<b>Date Submitted</b>	

<b>Date</b>	<b>Work Performed (specific description &amp; location)</b>	<b>Hours</b>	<b>PHA Initials</b>

**Approval Information - OFFICE USE ONLY**

<b>Reviewer Name</b>	
<b>Review Date</b>	
<b>Accounting GL Code</b>	
<b>Accounting Note(s)</b>	
<b>Approval Signatures</b>	1st:  2nd:

**Appendix C - Check Request form**



179 Spruce Circle, Princeton, NJ 08540

Phone: (609) 924-3448

Fax: (609) 924-1663

**Check Request form**

**Employee Information**

Name	
Date	

**Expense Information**

Date	
Vendor/Organization	
Expense Amount (\$)	
Invoice Attached?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Description	

**Approval Information - OFFICE USE ONLY**

Approver Name	
Approval Date	
Accounting GL Code	
Accounting Note(s)	
Approval Signature	
Check Amount (\$)	
Check Date	
Check Number	