

NORTH ANDOVER HOUSING
AUTHORITY
INTERNAL CONTROLS POLICY
Board Adopted 5/26/17

- 1) Internal controls are defined by the North Andover Housing Authority as "the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records." Local housing authorities should address financial controls through both prevention and detection. Internal controls of North Andover Housing Authority are designed to accomplish the following:
 - a) Safeguarding resources against waste, fraud, and inefficiency
 - b) Promoting accuracy and reliability in accounting and operating data
 - c) Encouraging and measuring compliance with local agency policy
 - d) Evaluating the efficiency of financial operations in all departments of the authority.

- 2) North Andover Housing Authority shall maintain and periodically review (at least annually) policies related to personnel, procurement, rentals, collection, fiscal operations, and investments. All revisions shall be board approved. All policies are submitted to HUD for review as a part of the five year planning process.

- 3) North Andover Housing Authority shall segregate duties to the greatest extent possible given organization size and staffing levels. Due to the size of the North Andover Housing Authority, the human resource functions and network administration functions are consolidated within the position of the Executive Director and the Bookkeeper job descriptions.

- 4) Cash loans to employees are prohibited. This includes payroll advances. Loans against employee retirement plans are prohibited by the plan policy.

- 5) North Andover Housing Authority Insurance Coverage
 - a) An insurance schedule is to be maintained and updated annually by the Bookkeeper that lists carrier, coverage limits, premiums, deductibles and expiration dates. This schedule will be reviewed by the Executive Director annually.
 - b) Insurance coverage limits for property are reviewed periodically via an on- site review by a professional in the insurance field to ensure that coverage amounts are adequate.

- 6) All North Andover Housing Authority general ledger records shall be kept up to date and in accordance with the HUD system of accounts.
 - a) Control accounts (rental and pet deposit accounts) shall be balanced with subsidiary accounts monthly by the Bookkeeper and reviewed by the Fee Accountant monthly. Rent rolls are also balanced for Section 8 HAP properties when preparing HAP checks by the Fee Accountant with consultation with the Leased Housing Coordinator. All rent rolls are to be maintained by the Bookkeeper and reviewed monthly by the Fee Accountant.

- b) Journal entries shall be approved by Fee Accountant prior to the monthly closing of the books. (Including automatic entries detailed below)
 - c) Recurring, automatic posting journal entries shall be used for repetitive items to the greatest extent possible (i.e. amortizations, accruals, etc.). This reduces the potential for human entry error.
 - d) Financial Statements, to include Income Statements and Balance Sheets, shall be presented to the board monthly. The Income Statement shall compare YTD expenditures to YTD budget. Any abnormalities, significant variances with the budget, or significant expenditures shall be reviewed with the board by the Fee Accountant and the Executive Director.
 - e) All accounting records are backed up continuously to an alternate location by the Fee Accountant and the North Andover Housing Authority via the internet.
- 7) All North Andover Housing Authority sets of books shall adopt a formal budget each year that will be presented to and approved by the Board of Commissioners by resolution. If necessary, mid-year budget revisions shall also be board approved.
- 8) North Andover Housing Authority Petty Cash
- a) At this time, the North Andover Housing Authority does not maintain a Petty Cash program.
- 9) North Andover Housing Authority depository accounts-
- a) All bank accounts shall be authorized by the Board of Commissioners
 - b) All bank account statements shall be directed initially upon receipt to the Executive Director for review, then forwarded to the Bookkeeper for review. Statements are then forwarded to the Fee Accountant monthly for reconciliation. They are reconciled monthly and reviewed by the Fee Accountant after reconciliation. This review shall include the following:
 - i) review of check numbers
 - ii) review of authorized signatures
 - iii) comparison to general ledger cash balance
 - iv) review of transfers, direct deposits, and direct drafts
 - v) review of NSF items
 - vi) comparison to cash logs
 - c) All bank accounts shall have running balances available to accurately forecast cash uses, receipts and needs. Excess cash should be transferred to higher yield investment accounts in accordance with the North Andover Housing Authority Investment Policy.

10) North Andover Housing Authority disbursements

- a) With the exception of petty cash and pre-authorized vendor direct drafts, all disbursements are to be made by check
- b) All checks are to be pre-numbered by our software and issued in sequence
- c) All bank and other information is printed on the checks by the software and only authorized users have password access to the software.
- d) All vouchers are prepared by the Bookkeeper and approved by the Executive Director prior to preparation of checks. Vouchers will have the following components reviewed:
 - i) Authorization (PO, etc.)
 - ii) Receipt of goods
 - iii) Amount paid
 - iv) Account coding
 - v) Expense reasonableness (travel and training expenses and reimbursements)
 - vi) all reimbursement transfers between accounts are approved by the Executive Director and Accountant prior to the transfer
 - vii) all vouchers are to be marked paid after check is issued to prevent duplicate payments
- e) Checks are processed through the PHA-Web software system by the Bookkeeper.
- f) Checks are presented along with invoices to two Board members for signatures on a weekly basis. The Executive Director is also available as a co-signature.
- g) All invoices are marked paid with the Bookkeeper signature
- h) Checks are given back to the Bookkeeper for mailing.
- i) All transactions are to be paid by check disbursement. No direct wire payments are permitted.
- j) At the end of each month, bank reconciliation will be performed by the Bookkeeper who will reconcile amounts shown on the bank statement with cash deposits and disbursements.
- k) Bank statements and reconciliations are reviewed each month by the Fee Accountant, verifying that all the checks have the appropriate signature and that the check payee and amount have not been altered.

11) North Andover Housing Authority Purchasing

- a) Purchasing shall be accomplished through the Chief Procurement Officer with the exception of routine office and maintenance supplies. These items may be procured by the Maintenance Supervisor and the Bookkeeper respectively.
- b) Non-routine purchases in excess of \$500 will be approved by the Executive Director. All purchases are reviewed by the Executive Director prior to signing check payments.
- c) Food purchases shall be approved by the Executive Director.
- d) All items shall be procured in accordance with the Procurement Policy.
- e) Purchasing shall be independent of the receiving and payment functions.

- f) Procurement card purchases shall be made in accordance with the procurement/credit card policy.
- g) Received goods shall be inspected for condition and quantity when received.

12) North Andover Housing Authority Payroll

- a) Personnel records shall be maintained in a locked area with access restricted to those payroll clerks with human resource responsibilities
- b) Executive Director approval is required for both addition to and deletion of names from the payroll listing
- c) Executive Director approval is required for interim changes to salary rates of employees
- d) Board approval is required for the annual salary schedule adoption. The salary schedule is presented in an Open Board Meeting. Board approval is done through approval of budgets that incorporate wages as line items.
- e) Straight time, overtime, holiday, personal and major medical amounts paid are all reviewed by the Bookkeeper prior to preparation of payroll amounts.
- f) All data in the timesheet must be completed (either typed or printed). All eligible employees must sign all completed timecards at the end of the pay period. The Executive Director's signature must be obtained prior to submitting timecards to the Bookkeeper. The Executive Director/Maintenance Supervisor is responsible for verifying that the timecard is complete and accurate, including hours worked. All timecards will be turned into the Bookkeeper for processing.
- g) An outside payroll company (Paychex) is currently tracking all accrual time (sick, vacation, personal) for everyone in the Authority.
- h) All staff are required to email the Executive Director to notify of all absences daily so that it is tracked on the timecard. The NAHA also requires that all sick, vacation, or personal time off schedule in advance be documented and sign off by the Executive Director and kept filed in each individual personnel file.

13) Accounts receivable

- a) Amounts contained in the general accounts receivable are reviewed monthly by the Fee Accountant.
- b) Past due resident accounts receivable are reviewed by the Bookkeeper, the Executive Director and the Fee Accountant monthly.
- c) Write offs of uncollectible resident accounts receivable requires prior board approval
- d) Accounts receivable access is to be limited to the Bookkeeper, the Executive Director and the Fee Accountant. Temporary Access may be given to Auditors for the purposes of and during an audit period.

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

14) All North Andover Housing Authority investments and pledged securities shall be obtained, recorded (including investment and interest revenue) and reviewed in accordance with the North Andover Housing Authority Investment Policy.

15) Issued Credit Cards

- a) The North Andover Housing Authority (NAHA) will only apply for credit cards from businesses that refuse to directly invoice the NAHA, such as Home Depot and Lowes.
- b) Any standard credit card the NAHA issues to an employee must only be used for business purposes. Employees with such credit cards shall not use them for any non-business, non-essential purpose, i.e., transactions for the benefit of anyone or anything other than the NAHA and must adhere to the NAHA Credit Card Policy. Use of the issued credit cards is a privilege, which may be withdrawn in the event of any suspected abuse. Unauthorized usage of credit card(s) issued in accordance with the Terms & Conditions will be considered a violation of this policy and could result in disciplinary action up to and including termination. Additional penalties could include professional sanction, debarment, and/or criminal prosecution.
- c) To ensure good financial management and sound governance, credit cards will be issued to the minimum number of employees that will allow the NAHA to satisfy its business objectives. Credit card(s) must be kept in a secure location at all times. The Authorized User will be responsible for custody of the card. In order to guard against possible fraud, the Authorized User should not lose sight of the card during a transaction. Credit Card usage in the day to day business of the NAHA is intended to facilitate transactions on a limited basis, primarily to provide simpler means of purchasing materials for the NAHA.
- d) All Credit Card transaction must have an authorized Purchase Order Number (PO) from the NAHA when purchasing and all PO will be cross referenced with all transaction on the credit cards monthly

16) Physical Assets

- a) Board approval is required for real property acquisition.
- b) Parts inventory shall be maintained in a locked facility with access granted only to authorized personnel.
- c) Perpetual inventory records shall be maintained with periodic counts being performed annually at a minimum.
- d) Accounting records will be adjusted as appropriate if differing quantities appear in the physical counts.
- e) Inventories are covered under "contents value" on the Property Insurance Policy
- f) Fixed assets detail records are balanced monthly to general ledger accounts
- g) All physical assets are bar coded and inventoried annually
- h) Residents acknowledge receipt of appliances for use in their unit at move in on the "Residents Lease"

- i) Board approval by resolution is required for disposition of assets maintained on the books (in accordance with property disposition policy)

- 17)** North Andover Housing Authority Property Manager shall maintain occupancy records that indicate when each unit vacates, how long it is in maintenance, how long it is in management for leasing and the re-rent date. These records are reviewed monthly by the Executive Director. Extended vacancies are reviewed in depth by the Executive Director and the Maintenance Supervisor.

- 18)** Where applicable, North Andover Housing Authority shall record resident utility usage and bill for excess usage in compliance with HUD guidelines.

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

- 20) Miscellaneous Provisions**
 - a) Partisan political activity is prohibited.
 - b) Davis Bacon and related acts are to be adhered to according to the Procurement Policy.
 - c) Annual HUD required reports shall be submitted timely by the appropriate responsible staff member.
 - d) A formal cost allocation plan shall be maintained, updated annually and reviewed by the Executive Director.
 - e) Section 8 contract rents shall be reviewed and adjusted annually (if factors are high enough for an adjustment).
 - f) Public Housing Flat Rents shall be reviewed annually and adjusted if necessary.