

# BILLERICA HOUSING AUTHORITY

## FINANCE, ACCOUNTING & INTERNAL CONTROL

### POLICY

#### Section 1: INTRODUCTION

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The purpose of this Policy is to ensure that assets are safeguarded, financial statements are prepared in conformity with generally accepted accounting principles, and finances are managed with responsible stewardship.

This Finance, Accounting & Internal Controls Policy has been presented, reviewed and approved by the BHA Board of Commissioners.

This Policy serves the BHA 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 BHA goals and objectives are achieved and that resources are used effectively and efficiently.



The Billerica Housing Authority commitment by staff and management is to deliver core values throughout our daily procedures which include accountability, integrity, service, stewardship and transparency. Any staff members with a role in the management of BHA's fiscal operations are expected to uphold the policies and procedures detailed in this manual.

It is the intention that this Policy serves as staff's commitment to transparent, accurate and consistent management and reporting.

#### Section 2: HOUSING AUTHORITY & COMPLIANCE

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The mission of the BHA:

**The Billerica Housing Authority exists to provide quality, safe and affordable housing and to provide meaningful support and engaging services for our residents.**

**We are committed to forming productive partnerships to maximize social, economic and educational opportunities for our residents and staff.**

**This mission shall be accomplished in a fiscally responsible manner by an ethical and professional staff and Board of Commissioners. We are strongly committed to Board**

**and staff personal growth, excellence in public service, and being accountable and transparent to all our stakeholders.**

This is accomplished through various funding sources, most notably the Department of Housing and Urban Development (HUD) and the Department of Housing and Community Development (DHCD), BHA policies and procedures are guided to meet the requirements of the regulations of the funding sources provided in the awards of grants from HUD and other sources. This accounting policy addresses and considers both the guidelines set by HUD and other funding sources' reporting and fiduciary requirements.

## **Section 3: BOARD AUTHORITY**

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### **3.1 Board of Commissioners**

The BHA encourages community members to stay informed on current issues and business actions pertaining to its housing programs and policies. All meetings of the Board are 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.

### **3.2 Board Meetings**

Regular Meetings are generally held on the 1st Thursday of each month, unless otherwise posted. Meetings are held at 4:00 pm in the Common Room at the Billerica Housing Authority , 16 River Street, unless otherwise posted.

Notice of meetings shall be in accordance with the Commonwealth of Massachusetts Open Meetings Law.

### **3.3 Board Responsibilities**

The Board of Commissioners has a role of oversight to the BHA . The Board is responsible for electing board officers and approving Board policies.

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. The Executive Director is considered the Chief Executive Officer who manages the day-to-day operations and reports to the Board.

The Board of Commissioners and the Executive Director work together in a positive working relationship in order to have a balanced and effective Authority for the community.

Several board members have signatory rights.

## **Section 4: CHECK SIGNATURE AUTHORITY**

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Executive Director has signatory authority on all disbursements rights.

Dual signatures are required on all checks.

Both parties review vouchers and invoices for those checks which require signatures.

## **Section 5: CONFLICT OF INTEREST**

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All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

## **Section 6: PHYSICAL SECURITY**

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### **6.1 Policy**

The organization maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate and other valuable property.

- Only BHA Staff are allowed access to the main offices unaccompanied.
- Only office staff are allowed to have possession of keys to the office.
- At a minimum, system passwords shall be changed annually.

## **Section 7: PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION (PII)**

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### **7.1 Purpose**

This policy establishes criteria for the protection of personally identifiable information at the Billerica Housing Authority. Programs covered include the Public Housing and section 8 Programs and any state, local or federal grant program monies received. These policies provide guidance on safeguards that will be implemented and followed in dealing with tenant personal information. The goal is to protect and prevent potential breaches of sensitive data that could expose residents and applicants to negative consequences.

The BHA is committed to protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices.

### **7.2 Background**

Section 6 of the Housing Act of 1937, the Privacy Act of 1974, 5 U.S.C. § 552a (Privacy Act), The Freedom of Information Act (FOIA), 5 U.S.C. § 552, and Section 208 of The E-Government Act are the primary federal statutes that limit the disclosure of information about public housing residents and recipients of the Housing Choice Voucher program.

In addition, the Housing and Community Development Act of 1987, 42 U.S.C. § 1437d (q)(4), 42 U.S.C. § 1437d (t)(2), 42 U.S.C. § 3543, and the Stewart B. McKinney Homeless Assistance Act of 1988, 42 U.S.C. § 3544, further regulate the treatment of this information. General HUD program requirements are set forth in 24 C.F.R. Part 5, Subpart B.



The **Privacy Act** and other requirements for grants and contracts is spelled out in 24 C.F.R. 5.212 which states:

### **7.3 Compliance with the Privacy Act**

The collection, maintenance, use, and dissemination of SSNs, EINs, any information derived from SSNs and Employer Identification Numbers (EINs), and income information will be conducted, to the extent applicable, in compliance with the Privacy Act (5 U.S.C. 552a) and all other provisions of Federal, State, and local law.

### **7.4 Privacy Act Notice**

All assistance applicants are provided with a Privacy Act notice at the time of Lease signing. All participants shall be provided with a Privacy Act notice at each annual income recertification.

The Privacy Act of 1974, 5 USC 552a, provides protection to individuals by ensuring that personal information collected is limited to that which is legally authorized and necessary and is maintained in a manner which precludes unwarranted intrusions upon individual privacy. Pursuant to 5 U.S.C. §552a (e) (3) agencies are required to provide what is commonly referred to as a Privacy Act Statement to all persons asked to provide personal information about themselves, which will go into a system of records (i.e., the information will be stored and retrieved using the individual's name or other personal identifier such as a Social Security Number).

### **7.5 Guidance on Protecting Sensitive Privacy Information:**

The Privacy Act requires that federal and federally-funded agencies maintain only such information about individuals that is relevant and necessary to accomplish its purpose. The Privacy Act also requires that the information be maintained in systems or records – electronic and paper – that have the appropriate administrative, technical, and physical safeguards to protect the information, however current.

### **7.6 Limit Collection of PII:**

The BHA staff will not collect or maintain sensitive PII without proper authorization and will collect only the PII that is needed for the purposes for which it is collected such as verifying income.

- Staff will only share or discuss sensitive PII with those personnel who have a need to know for purposes of their work. Challenge anyone who asks for access to sensitive PII for which you are responsible.
- Staff will not distribute or release sensitive PII to other employees, contractors, or other third parties unless the release is authorized.

## Section 8: THE ACCOUNTING FUNCTION

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To ensure compliance, on a daily basis, concerning 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.



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.

With a small staff size and separation of duties, a closer level of supervision is utilized, which includes the Executive Director and a contracted Fee Accountant to verify a process.

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

- Annual review of Policies for any required update.
- Strong Internal Controls supported through procedures.
- Training and skill enhancement opportunities to review roles and responsibilities.

### 8.1 GENERAL TRANSACTION PROCESSING POLICY

It is the policy of the PHA to capture all financial transactions that affect the financial statements of the agency. The transaction shall be recorded in the general ledger system in the month the transactions occur.

The transactions shall be recorded accurately and timely and supported by proper documentation.

- Recorded accurately shall mean that the amount recorded is consistent with the value received or provided and free of accounting, classification, and mathematical errors.
- Recorded timely shall mean that the transaction is recorded promptly upon receiving the necessary documentation or notification.
- Supported by proper documentation shall mean that the amount recorded is consistent with supporting documentation (where required, with appropriate authorizations) and standard accounting practice.

Transactions shall be classified across projects and / or programs as described in the cost allocation plan.

Expense classifications shall be consistent with the latest Financial Data Schedule (FDS) line item definitions published by HUD and the capitalization policy of the PHA.

## **GENERAL TRANSACTION PROCESSING PROCEDURES**

The following procedures for general transaction processing are to be followed: 1) documentation, recording, and review of transaction; and 2) specific transaction type processing.

### **Documentation, Recording and Review of Transaction**

Documentation that supports the recording of a financial transaction shall be provided to the fee accountant in the month in which the transaction occurs. Documentation may consist of the following examples:

- Invoices
- Purchase orders
- Funding notices
- Payroll reports
- Payroll tax payment reports
- Vendor refund documents
- Documentation of correspondence with individuals
- General ledger print outs for reclassification entries

The fee accountant will track all transactions that are not disbursements as journal entries.

The Executive Director will review the financial statements provided by the fee accountant each month to verify that the transactions were properly recorded. If material discrepancies are noted that would impact the financial statements significantly, revised statements should be prepared by the fee accountant for that month. If immaterial discrepancies are noted, the fee accountant should be contacted with a course of action agreed upon to adjust the general ledger balances. This may be corrected in the following month or at the end of the fiscal year.

After the close of the PHA's fiscal year, the fee accountant will forward the journal entry file to the PHA.

### **Specific Transaction Type Processing**

There are several transaction types that the PHA encounters on a daily and monthly basis. Many of these transaction types have detailed processes and may therefore be discussed in their own specific policies and procedures. Examples of specific transaction types that may have separate policy and procedures include the following:

- HAP processing
- Payroll processing
- Procurement/purchase orders/vendor processing
- Tenant accounts receivable processing
- Capital asset management
- Revenues processing

For those transactions that have specific policy and procedures, both the policy and procedures as set forth in this general transaction processing policy and procedures and the specific transaction processing policy and procedures, must be followed

## 8.2 Cash Management & Investment Policy

The BHA deposits all funds in accordance with the terms of a General Depository Agreement. The General Depository Agreement approved by HUD is executed between BHA and the depository.

Cash management is the process of managing the cash flow of the BHA 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 surplus funds.

### **Section 9: CASH DISBURSEMENTS PROCESS**

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It is the policy of the PHA to ensure payments for the purchase of goods or services are made in a timely manner in the amount as required under the terms of the contract, agreement, purchase order, etc. The method of disbursement includes payment by check or electronic fund transfer. Proper documentation and approval should be obtained prior to payment of payables to ensure effective controls over disbursement of PHA funds.

All payments shall be made by check or electronic fund transfer (EFT).

- Where possible, the PHA's first choice is to make payments by check.
- All checks must follow the check writing policy.
- EFT payments must be accompanied by an EFT payment request form.

No cash withdrawals from the bank or ATM for payments are allowed. Payments and procedures around the use of petty cash are covered in the PHA's petty cash policy. Payments should only be processed if supported by sufficient documentation.

The supporting documentation at a minimum includes sufficient information to substantiate the amount as well as the business purpose, the payee's name, address, and the date and nature of the transaction, including:

- Verification that the expense is properly supported by the vendor's original invoice, a receiving document and a purchase order, if applicable;
- Verification that the purchase requisition and purchase, if used, were properly approved prior to ordering the goods or services;
- Determination that goods and services were received; and
- Determination that allowable discounts are taken.

PHA staff assigned to authorize the payment must approve payment request with the supporting documentation by signing and dating the supporting documentation prior to the printing of checks. Payments shall be made timely to avoid any late payment fees, interest, or other payment related charges. It is the policy of the PHA that any charge failing to have the required documentation may be the direct financial responsibility of the individual who caused the PHA to incur an inappropriate cost, interest or late fee.

In the disbursement process, there are two independent verification steps to be taken before the payments are made. 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.

- ✓ All Purchase Orders are reviewed by the Executive Director for payment.
- ✓ Invoices are entered into the system by the Administrative Assistant.
- ✓ Check stock is controlled and disbursed by the Administrative Assistant.
- ✓ Checks are run by the Administrative Assistant and reviewed by the Executive Director and Board of Commissioners.
- ✓ The report includes the check number, amount and invoice.
- ✓ Checks are required to have two signatures prior to being distributed. Authorized signatories for checks are members of the Board of Commissioners.
- ✓ Disbursements are reconciled in the monthly bank reconciliation by the Fee Accountant

## **Section 10: CASH DISBURSEMENTS**

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### **10.1 Petty Cash**

Petty Cash funds are maintained by the Administrative Assistant for incidental needs of the Authority. Such funds are reconciled by the Fee Accountant.

### **10.2 Employee Expense Reimbursements/Travel**

#### **Policy**

Employees and Commissioners will be reimbursed for such expenses incurred in the performance of their duties at the BHA. Reimbursements are limited as per BHA Personnel Policies. Personnel Manual and the Board of Commissioner's Policies.

### **10.3 Credit Cards**

The BHA does not maintain Credit cards.



## **Section 11: CASH RECEIPTS PROCESS**

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**The BHA does not accept any cash receipts.** Only checks and money orders are accepted.

The BHA ensures receipts and disbursements are appropriately directed and recorded.

### **11.1 Controls for Receipts**

The BHA's Administrative Assistant is responsible for the check receipts process.

The BHA only accepts checks and money orders for payments for rent and other charges. It accepts no cash.

Checks received are scanned and deposited daily.

As the BHA is a small organization that cannot afford employing more than one accountant, the BHA handles the segregation of duties by having a Fee Accountant provide oversight of all transactions. The Executive Director approves all invoices and the Board of Commissioners approves all check disbursements. The Fee Accountant monthly reviews all BHA financials.

The independent verification control 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.

## **Section 12: DIVISION OF DUTIES**

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The following lists responsibilities:

### **12.1 Administrative Assistant**

- Assists in preparing annual operating budget.
- Reviews all vouchers and invoices.
- Receives unopened bank statements.
- Reviews list of pending check disbursements.
- Initiates and authorizes all inter-fund transfers
- Reviews the payroll summary for the correct payee, hours worked and check amount.
- Processes the payroll, including payroll tax returns.
- Prepares all reimbursements for approval.
- Manages the Fixed Asset listing.
- Verifies the daily deposit.
- Reconciles vendor accounts.
- Processes vendor invoices for payments.
- Maintains the utility consumption reports.
- Prints and mails all vendor checks for payments.
- Receives monthly payments from tenants.

## 12.2 Executive Director

- Approve all purchase orders.
- Review and approve monthly statements.
- Review monthly check register.
- Review report of monthly cash disbursements.
- Review and approve all invoices.
- Reviews and approves list of all pending check disbursements.
- Reviews fixed asset report.
- Reviews and approves all purchases.
- Spot checks purchase orders, invoices and receiving slips from vendors.

## 12.3 Fee Accountant

- Ascertain the propriety of distribution of all cash receipts, disbursements, and balances, assets (current and capital), and cash flow;
- Review monthly reconciliations of all bank statements;
- Prepare monthly, year-end, and other financial reports as required;
- Review applicable general journal and standard journal entries for tenant accounts receivable, interest accrual, quarterly, semi-annual and annual deferrals and accruals consistent with federal and state guidelines to the books of original entry;
- Ascertain that cash receipts, cash disbursements, returned checks, application of security deposits and uncollectible write-offs agree with tenant recapitulation sheets;
- Review and ascertain propriety of distribution of purchase and maturity of all investment securities and passbook transactions;
- Assure reconciliation of all development costs, land structures and equipment, and expense subsidiary ledgers to control accounts for all projects;
- Assist in the preparation of annual budget;
- Prepare and provide for year-end audit;
- Prepare financial statement and budgets as required by HUD or DHCD; assure that all financial statements and budgets are prepared and filed within the appropriate time frames and in accordance with deadlines as stipulated by HUD or DHCD;
- Assure the proper computation of operating subsidy funds and prepare necessary journal entries to assure the receipts of such funds;
- Provide general financial and technical information and guidance to the staff of the BHA;
- Provide general advice and assistance to commissioners and staff with respect to Authority finances;
- Troubleshoot financial issues and make recommendations to the Executive Director;
- Advise the BHA on matters concerning the internal controls in place with reference to its accounting system, suggest and assist in implementing improvements to the system, where applicable, to ensure the safeguarding and accuracy of BHA's assets;
- Attend meetings of the Authority when requested;
- Perform other duties related to accounting issues as required by the Authority and in compliance with HUD regulations as amended from time to time.

## **Section 13: ACCOUNTING PROCEDURES**

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This section covers basic accounting procedures for the BHA. The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

### **13.1 Basis of Accounting**

#### **Policy**

- The organization uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred.

#### **Procedures**

- Throughout the fiscal year, expenses are accrued into the month in which they are incurred. The books are closed after the close of the month. Invoices received after closing the books will be counted as a current-month expense.
- At the close of the fiscal year, this rule is not enforced. All expenses that should be accrued into the prior fiscal year, are so accrued, in order to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year.
- Revenue is always recorded in the month in which it was earned or pledged.

### **13.2 Journal Entries**

#### **Policy**

- Journal entries are used to record financial transactions.

### **13.3 Bank Reconciliations**

#### **Policy**

- This policy applies to all PHA programs, including federal and non-federal, and programs subject to partnership agreements, regulatory agreements, and/or financial agreements, unless specifically noted in the above-mentioned agreements.
- Bank statements are provided directly to the Fee Accountant monthly. Each bank account will be reconciled by the fee accountant by the 15<sup>th</sup> day of the following month. Bank discrepancies will be communicated by the fee accountant to the Executive Director for resolution with the bank. The bank reconciliations will be provided with the monthly fee accounting reports.
- Bank statements will be made available directly from the bank to the fee accountant, by mail or electronic access each month for the preparation of the bank reconciliation. This approach allows the financial data to be provided to the fee accountant in a timely manner and provides a level of internal controls so that the PHA cannot alter info on bank statement.
- All bank statements will be opened and reviewed in a timely manner. Bank reconciliations are approved by the Executive Director. The Executive Director will review the completed

reconciliation reports to ensure that there are no questionable transactions, outstanding checks, or deposits in transit. The Executive Director will initial and date the bank reconciliation, which will indicate that the review was completed and any follow-up action, if needed, was appropriately taken. Written documentation of follow-up action and resolution is retained with each bank reconciliation for auditing purposes.

- Adequate steps will be taken to confirm the accuracy of the bank balances shown in the general ledger. Generally, monthly data on receipts and disbursements are compared with the details reported on bank statements. Unmatched and mismatched data are used to reconcile the book and bank balances. Reconciliations are performed by Fee Accountant.
- The PHA will retain a copy of all bank reconciliations in accordance with the PHA's record retention policy. At the end of the fiscal year, the bank reconciliations should be specifically reviewed by the Executive Director. Any outstanding checks that have been dormant for more than one (1) year for payroll checks and three (3) years for tenant refunds and payments for goods or services may need to be voided by the PHA. The Executive Director will provide the list of any voided checks to the fee accountant so that a journal entry can be made to the financial statements and the bank reconciliations can be updated. Outstanding checks that meet the definition of unclaimed property by the state will be remitted to the state as outlined in the state's unclaimed property rules and guidance.

### **13.4 Quarterly/Annual Payroll Reports**

#### **Policy**

- State and Federal laws require the BHA to submit quarterly payroll reports to the Internal Revenue Service and the State of Massachusetts

### **13.4 Accounts Payable**

#### **Policy**

- PHA reports all existing vendor account payable liabilities in the financial statements on an annual basis. This policy will ensure that the PHA's year-end submission of the financial data schedule and the PHA's financial statements are GAAP compliant and provide for more accurate reporting of the PHA's financial position for the PHA's various programs and projects.

Liabilities of PHA shall be accrued as a payable as part of the year-end process. The amount of the liability shall be valued based upon the supporting documentation related to the transaction with adjustments for returned or un-received merchandise taken into account.

A liability is deemed to have been incurred when the amount becomes payable.

- For tangible items (e.g., office supplies or maintenance materials), the liability will be considered incurred when the ordered item is received.
- Intangible items such as insurance, training, and advertising will be considered incurred when the item is ordered.
- Utility expenses will be considered incurred when the resources are used which is often prior to the invoice date.

Liabilities will be maintained on an individual project/program basis in accordance with the distributions defined in the PHA's cost allocation plan in effect for the period incurred.

The following procedures will be used to manage accounts payable.

1. The Executive Director will reconcile monthly the purchase orders, shipping bills, invoices, etc.
2. At year end, a copy of the unpaid payable invoices shall be submitted to the fee accountant for proper recording in the financial statements. The invoices will be attached to the check voucher as part of the disbursement policy when they are paid to the vendor.

## **Section 14: CASH MANAGEMENT AND INVESTMENTS**

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The BHA is required to deposit funds in accordance with the terms of a General Depository Agreement. The General Depository Agreement is approved by HUD and is executed between the BHA and the depository.

## **Section 15: INTERNAL ACCOUNTING CONTROLS**

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The Executive Director and Board of Commissioners 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:

- 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 the Board of any investigations involving allegations of impropriety, fraud, criminal activities, conflicts of interest, waste, mismanagement, etc.
- All deposits are received via electronic transfer, check or money order. They are recorded and posted the same day they arrive.

## **Section 16: FINANCIAL REPORTS**

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Monthly financial reports are prepared by the Fee Accountant and submitted to the Board of Commissioners for their review.

These monthly reports include:

- A budget summary of Income and Expenses
- Budget Income and Expense reports by line item for the Billerica Housing Authority.
- A listing detailing balances by accounts.
- Monthly financials will detail the Authority's Reserve Position.

## **16.1 Budget Process**

### **Policy**

The organization's annual budget is prepared and approved annually. The budget is prepared by the Executive Director with the Fee Accountant.

The budget is to be approved by the Board of Commissioners .

## **Section 17: BUDGET**

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The Executive Director is accountable for the creation of the Annual Operating Budget..

The development and implementation of the annual financial budget is an integral part to the daily operating success of the agency as it provides comparative monthly reporting to the Board of Commissioners

## **Section 18: PURCHASES & PROCUREMENT**

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### **18.1 Policy**

All purchases and procurement activities at the BHA follow the Authority's Procurement Policies

### **18.2 Invoice Approval & Processing**

#### **Policy**

All invoices are approved by the Executive Director.

Copies of all invoices paid will be filed by vendor by fiscal year.

## **Section 19: ACQUISITION OF ASSETS AND CAPITALIZATION OF ASSETS**

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### **19.1 Policy**

Expenditures for tangible assets used actively in business operations that benefit a period exceeding one fiscal year are capitalized. The BHA currently uses \$5,000 as the capitalization threshold (See Capitalization Policy).

Property, plant and equipment are generally categorized by the following broad asset types:

- Land
- Buildings
- Furniture, Equipment and Machinery - Maintenance
- Furniture, Equipment and Machinery - Administration

Estimations of capital acquisitions must be included in the budgeting process. The decision to purchase a capital asset is an informed one based on current year budgets, projected benefits

of the addition, and analysis of a lease versus purchase option. All Procurement is per the BHA's Procurement Policy.

## **19.2 Procedures**

Approval of Capital Expenditures:

- ▶ All capital requests less than \$5,000 must be submitted to the Executive Director for approval prior to any purchase.

Capital Asset Purchase Authorization:

- No purchase of capital assets will be made without proper authorizations and review to ensure compliance with budget guidelines and sound investment decision making.

## **Section 20: ACCURATE RECORDS OF PROPERTY, PLANT AND EQUIPMENT**

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### **20.1 Policy**

Accurate records are maintained of the cost and accumulated depreciation of property, plant, and equipment. The acquisition of capital assets is organized to ensure that no unauthorized acquisitions have been made and that records of each acquisition are accurate, complete, and recorded in the appropriate period. Such records are maintained and reviewed by BHA's Fee Accountant.

### **20.2 Procedure**

Receipt and Identification of Capital Assets - All property, plant and equipment are identified upon their receipt and the location of the asset is recorded in the detailed fixed asset ledger.

#### **Maintenance of Detailed Fixed Asset Ledgers**

Detailed fixed asset ledgers that are maintained for all classifications of property, plant and equipment.

#### **Posting to Detailed Ledger**

Asset additions, disposals and period depreciation will be posted to the detailed ledger regularly by the Fee Accountant.

#### **Reconciliation to Detailed Ledger**

On a periodic basis, the detailed fixed asset ledger is reconciled with the general ledger for asset cost and accumulated depreciation.

## **Section 21: DISPOSAL OF CAPITAL ASSETS**

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### **21.1 Policy**

Disposal of capital assets occurs only after proper authorization has been given by the Board of Commissioners and the asset has been declared excess, obsolete or unserviceable. Control over the disposition of property is maintained not only to preserve the accuracy of the records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal. Property shall not be destroyed, abandoned, sold or donated without prior approval of the Executive Director.

## **21.2 Procedures**

The following procedures apply to the retirement and disposal of agency assets:

No employee, member or officer of the BHA will be allowed to bid on, purchase or otherwise receive any disposals or surplus property.

- ▶ No item of property, plant, and equipment should be removed from the premises without a proper approval by the Executive Director.

## **SECTION 22: INVENTORY**

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### **22.1 Policy**

A physical count of all inventories will be conducted annually.

### **22.2 Procedures:**

#### **Proper Control of Physical Inventory**

Inventory should be properly supervised and controlled.

The inventory should be maintained in an orderly manner to facilitate the count. Inventory should be properly identified and described.

## **SECTION 23: CAPITALIZATION AND INVENTORY POLICY**

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The Billerica Housing Authority will establish and maintain complete and accurate records of all real and personal property owned by the Authority as directed in this document.

### **23.1 Capitalization:**

#### **Real Property**

Defined as land and buildings and all fixtures permanently attached/installed in a fixed position.

#### **Personal Property**

Treated in three (3) general classes as follows:

#### **Non-Expendable Items**

Defined as items of personal property (equipment) having a useful life of more than one (1) year and value of \$5,000 or more.

#### **Expendable Items**

Defined as items of personal property (equipment) having a useful life of more than one (1) year and value of \$25 to \$4999.00 each, consisting of office equipment, maintenance tools, etc.

#### **Materials and Supplies**

Defined as items of property which (a) can be used only once, such as fuel, cleaning supplies, etc., (b) are spent in use, such as brooms, brushes, etc., or (c) lose their identity when put into use, such as nails, lumber, cement, repair parts, etc. The term "materials and supplies" also includes items such as small tools and equipment having a useful life of one (1) year or less. The net cost of materials and supplies purchased for stock is charged to the appropriate control account.



## **23.2 Inventory:**

A physical inventory of non-expendable and expendable property shall be performed every two years in order to verify that the property listed on the inventory can be located and is in use or remains part of a supply stock. The physical inventory will be performed by Housing Authority staff. The Executive Director or his/her designee will perform a sampling of the inventory to verify the accuracy of the inventory.

The Fee Accountant is responsible for maintaining the inventory record. Newly acquired equipment will be promptly added to the inventory records and equipment removed from use will be promptly deleted from the inventory records. Location of equipment will be updated as changes occur.

## **23.3 Reporting Financials**

The BHA submits their financials as required by HUD and/or DHCD.

# **SECTION 24: BAD DEBT POLICY: PUBLIC HOUSING & SECTION 8**

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## **24.1 Owner or Family Debts to the Housing Authority**

This section describes the Housing Authority's policies and guidelines for the recovery of debts and the use of repayment agreements.

When families or owners owe money to the Housing Authority, every effort will be made to collect the debt.

## **24.2 Repayment Agreements for Families**

A Repayment Agreement as used in this plan is a document entered into between the Housing Authority and the person who owes a debt to the Housing Authority. The Repayment Agreement contains:

- Reference to the paragraphs in the family obligations whereby the person is in non-compliance and may be subject to termination of assistance; and
- A statement that the monthly rent repayment amount is in addition to the family's regular rent contribution and is payable to the Housing Authority; and
- An acknowledgment by the person of the debt in a specific amount; and
- The terms of repayment; and
- Any special provisions of the agreement.

The terms of the repayment agreement may be renegotiated if there is a decrease or increase in the family's income. Late and missed payments constitute default of the repayment agreement and may result in termination of assistance, and late payment or eviction.

### 24.3 Late Payments

A payment will be considered to be in arrears if the payment has not been received by the close of the business day on which the payment was due. If the due date is on a weekend or holiday, the due date will be at the close of the next business day.

If the family's repayment agreement is in arrears, the Housing Authority may do one or more of the following:

- Require the family to pay the entire arrearage plus current month's payment in order to avoid loss of assistance;
- Require the family to pay the balance in full in order to avoid losing assistance;
- Pursue civil collection of the balance due; and/or
- Terminate the lease.

### 24.4 Guidelines for Repayment Agreements

The Housing Authority, at its sole discretion, will determine on a case-by-case basis whether or not to offer a family a repayment agreement for monies owed to the Housing Authority. The offer of a repayment agreement does not constitute an agreement to continue the family's assistance. However, the Housing Authority will propose termination of the family's assistance upon refusal by the family to enter into a repayment agreement.

Repayment Agreements will be executed between the Housing Authority and the head of household or other adult family member.

Monthly payments may be decreased in cases of hardship with the prior notice of the family, verification of hardship, and the approval of the Executive Director. If the PHA offers a repayment agreement, the family has the option to repay retroactive rent balances as follows:

- In a lump sum amount; or
- A monthly payment; or
- A combination of a lump sum and monthly payment.

**The Housing Authority will usually ask that the family pay an initial lump sum (in an amount determined by the Housing Authority) with the remaining balance to be paid in equal payments over a period of time not to exceed 12 months for amounts under \$2,400 or 24 months for any amount in excess of \$2,400.**

In determining the initial lump sum, the Housing Authority will consider the total amount owed, the ability of the person to make the remaining payments and the percentage of the total sum owed. In most cases, the Housing Authority will ask the family to pay a significant initial lump sum as part of entering into a Repayment Agreement to help ensure full payment to the Housing Authority and to reduce the monthly payment. These terms will be negotiated with the tenant.

If a Repayment Agreement is in arrears more than 30 calendar days, debts must be paid in full.

Approved by the Billerica Housing Authority Board of Commissioners on March 9, 2023.