

ACCOUNTING POLICIES

It shall be the policy of the Inc. Village of Hempstead Community Development Agency (Agency) to create and maintain accounting, billing and cash control policies, procedures and records that are consistent with Generally Accepted Accounting Principles (GAAP) and which meet the requirements of state and federal statutes and regulations.

CDA accounting, audit and financial management policies are designed to:

- 1) Protect and secure the assets of the Agency.
- 2) Ensure the maintenance of accurate records of the Agency's financial activities.
- 3) Ensure compliance with governmental and private funding source reporting requirements.

A. CASH

- 1) Bank accounts are established as required by funding requirements.
- 2) All checks written on Agency accounts require a signature. Individuals authorized to sign checks are the Chairman and the Commissioner.
- 3) The Chairman authorizes all bank accounts and approves all check signers. The approval of signers shall be reflected in the minutes of the Board of Directors.
- 4) Banks are to be promptly notified of all changes of authorized check signers.
- 5) All checks are to be pre-numbered and accounted for by a check custodian (used, voided, and not used).
- 6) Voided checks are to be properly defaced and maintained.
- 7) Bank reconciliations to the general ledger are to be completed monthly and provided to the Commissioner for review and initialed.

B. PETTY CASH

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- 1) Receipts or itemized slips are required for every disbursement. The Commissioner or his/her designee will be responsible for verification of receipts and cash.
- 2) Petty cash should be used for such things and odd jobs, local travel and sundry items. It is not intended for purchases that can be made through the use of a designated supplier. Activities or needs should be planned ahead so necessary funds will be available in the petty cash account.
- 3) Whenever petty cash is used, a "Receipt of Petty Cash" slip must be filled out. A completed slip will include the date, amount taken and amount returned, reason for use or description of item purchased and the total spent. When a staff person receives cash, he/she will sign on the "Received By" line of the slip. The Commissioner or his/her designee will sign on the "Approved By" line of the slip.

C. CASH RECEIPTS

- 1) Someone other than the person making deposits is responsible for opening the daily mail, making a log of cash receipts, restrictively endorsing the payment, making note of any restrictions on the log entry and account coding the receipt by receivable or revenue account.
- 2) The Commissioner and Deputy Commissioner prepare bank deposit slips, listing each item.
- 3) Receipts are deposited daily. The bank's stamped duplicate deposit slip is attached to the remittance documentation.
- 4) The daily deposit log and duplicate deposit slip is maintained by the Bookkeeper.
- 5) Cash is deposited in the appropriate bank based upon funding restrictions.

D. CASH DISBURSEMENTS

- 1) Cash disbursements are made by check (with the exception of petty cash disbursements).
- 2) All invoices for payment must be accompanied by a valid Agency claim voucher.
- 3) The Chairman and Commissioner approve all claim vouchers for payment.
- 4) Vendor claim vouchers and invoices are recalculated onsite to ensure accuracy. This recalculation must occur prior to the preparation of a check to pay the invoice.

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After the recalculation is complete, the Project Manager must initial the vendor claim voucher and invoice, indicating that the amount is correct and the claim can be paid.

- 5) Checks for payment are signed only when supported by the approved claim voucher and invoice (checks will not be processed and signed in advance of proper claim and invoice approval procedures).
- 6) Check signers must compare data on supporting documents to checks presented for their signature.
- 7) Bank transfers are scheduled and investigated by the Bookkeeper to ascertain that both sides of the transaction are recorded.
- 8) The employee responsible for mailing checks will not be responsible for recording cash disbursements. These two functions must be handled by different employees to ensure that the appropriate checks and balances are in place.
- 9) The Bookkeeper will be responsible for assuring that supporting documentation is noted as paid, check number is affixed. Supporting documentation must also be noted as approved for payment.
- 10) The Bookkeeper will assure that account codings for each payment are reviewed for accuracy.
- 11) The Bookkeeper will assure that all costs paid through the utilization of external funding sources are recognized as ordinary, necessary, within the budget, are arms length transactions and do not deviate from established practices of the Agency and U.S. Dept. of HUD regulations.

E. GENERAL LEDGER ACCOUNTING CODING

- 1) All cash receipts and disbursements are account coded and reviewed by the Commissioner.
- 2) Funding from multiple sources may be kept in an account with other funding; however, it must be tracked and coded independently.

F. REVENUE

- 1) Revenue is earned using the accrual basis of accounting.
- 2) Cost reimbursement grants or contracts earn revenue when the expenses are incurred (not committed).

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G. EXPENSES

- 1) Expenses are charged directly to programs when specific identification is available.
- 2) Expenses are charged to program income when the direct charge to a specific program cannot be established.
- 3) Funds are prohibited from being expended for any purpose that is ineligible under a funding award.
- 4) Expenditures for each grant, loan or contract are to be recorded according to the budget categories for that particular funding source. For each funding award, the Agency will maintain records that allow for a comparison of outlays with approved budget amounts.
- 5) When there are federal funds involved, the Agency will follow U.S. Dept. of HUD guidelines.
- 6) Before the Agency seeks reimbursement from a funder, it will ensure that the costs for which it is seeking reimbursement are allocable to that funder. A cost will be considered allocable to an external funding source (unless otherwise prohibited) if it is treated consistently with other costs incurred for the same purpose in like circumstances and if:
 - a) The cost is incurred specifically for the funding award.
 - b) The cost benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
 - c) It is necessary to the overall operation of the Agency although a direct relationship to any particular cost objective cannot be shown.
- 7) Any cost allocable to a particular award or other cost objective may not be shifted to other awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of any award of funds.

H. COLLECTION OF DELINQUENT ACCOUNTS

- 1) The Agency may contract for collection services if all past efforts to collect monies due have been exhausted.

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- 2) The Commissioner has discretionary authority to submit delinquent debts (over 90 days) to an outside collection service.

I. WRITE –OFF OF DELINQUENT DEBTS/CHARGES

- 1) Records must indicate that all efforts to obtain payment have been exhausted before the decision is made to write-off any debt.
- 2) The request for approval of a write-off must include a short narrative of actions taken to collect and the rationale for the debt being considered uncollectible.
- 3) The Chairman has the discretion to approve debt write-offs of a Board authorized amount.
- 4) The budget line item for fees and collections must be updated by means of a budget revision to reflect uncollectible fees/debts.

If collection is made of a debt previously written-off as uncollectible, it will be recognized as revenue in the current period.

FINANCIAL REPORTING PROCEDURES

- A. The Bookkeeper will be responsible for compiling monthly and year to date reports on all CDBG budget cost centers and other revenue sources and accounts.
- B. Financial reports are reconciled to the general ledger and accounting records prior to submission to any auditing authority.
- C. Periodic reports will be provided to all funding sources as requested or required.
- D. The Bookkeeper will maintain records that identify adequately the source and application of funds for all activities. These records shall contain information pertaining to awards, authorizations, obligations, assets, outlays, income and interest. Records to be maintained include copies of contracts, invoices, proof of payments and allocation tracking when costs are distributed among several funding sources.

INVESTMENT/ BANKING POLICIES

The Board of Directors will approve the placement of assets not needed for immediate operations assuring compliance with all contractual requirements and using the principals identified below.

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A. Principles:

- 1) **Minimize Risk:** The Board of Directors will define a minimum risk strategy that will be reviewed annually to ensure appropriate discharge of responsibilities to lenders and contractual relationships.
- 2) **Maximize Investment Return:** Within the parameters defined as “minimum risk” funds will be invested at the highest area interest/return available at the time of decision.
- 3) **Support Local Banks and Institutions if Economically Feasible:** “Local” is defined as having a physical presence for customer service within the Incorporated Village of Hempstead.

B. Procedures

- 1) Each quarter, the Commissioner of Community Development or his/her designee will review with the Board of Directors the projected cash needs of the Agency and the assets available, if any, for investment.
- 2) Each quarter, the Board of Directors will provide the Commissioner of Community Development or his/her designee with guidance regarding investment and institutions.
- 3) The Board of Directors will designate a representative to consult with the Commissioner of Community Development or his/her designee between meetings on such matters as investment period timeless and institutional issues.
- 4) The Commissioner of Community Development or his /her designee will contact local institutions as needed to determine the best rate of return for investments.
- 5) The Board of Directors will define a policy for minimizing risk annually.

C. Banking Policy

- 1) The CDA will keep all funds available not already invested in a federally insured bank.
- 2) **Support Local Banks if Economically Feasible:** All assets kept in bank accounts will be in banks as defined as local. “Local” is defined as having a physical presence for customer service within the Inc. Village of Hempstead.

BUDGET PRINCIPLES/ PROCEDURES

Structure of the budgetary process shall evolve from the mission and By-laws of the Agency with consideration given to the requirements of any of the Agency's funding sources.

A. Budget Principles

- 1) The budgetary process shall comply with the Agency's funding sources and in accordance with applicable state and federal laws.
- 2) The budgetary process shall comply with the guidelines and principles set forth by the Board of Directors.
- 3) Annually, each program area shall identify and develop a plan for its operation. The budgets needed to execute the plan shall be developed by the Commissioner of Community Development in consultation with the Board of Directors and appropriate staff members.

B. Procedures

- 1) The Commissioner of Community Development will prepare and submit an operating budget to the Board of Directors thirty to sixty (30 -60) days prior to the beginning of the new fiscal year and prior to submission to the Nassau County Consortium via the Nassau County Office of Community Development.
- 2) If a budget submission is required by a particular funding source prior to sixty (60) days before the beginning of the fiscal year, the Board of Directors will review a preliminary budget and adopt it, if necessary.
- 3) Differences in budget line items between the Agency's operating budget and a funding source's requirements will be resolved in negotiations between the Commissioner of Community Development and the funding source.

C. Adjustments in Budget/Spending Plans

- 1) Any adjustments or changes in spending policies/budget plans which vary by more than 10% from the original approved budget will be initialed by the Commissioner of Community Development and submitted for approval to the Board of Directors.
- 2) These changes will be communicated in writing to funding sources required by contractual agreements.

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- 3) If proposed changes are unsatisfactory to the funding source, the Commissioner of Community Development will communicate this response to the Board of Directors, who may authorize:
 - a) Changing the budget/ plan to one which is satisfactory to the funding source, or
 - b) Entering into negotiations to develop a compromise satisfactory to the funding source and the Board of Directors.

AUDIT PROCEDURE

- A. The Agency will contract for an independent audit to be performed by a Certified Public Accountant (CPA) at the conclusion of each fiscal year.
- B. The auditor(s) will complete the audit within three (3) months of the conclusion of the fiscal year.
- C. The auditor(s) will test accounting mechanisms in accordance with generally accepted auditing standards for public benefit corporations and as contractually required by funding sources.
- D. A formal written report of the audit will be presented to the Board of Directors and posted to the Agency's website.