



Tenants to Homeowners, Inc.
2518 Ridge Court, Suite 103, Lawrence, Kansas 66046
785.842.5494 ♦ FAX 785.842.7570 ♦ www.tenants-to-homeowners.org

Fiscal Management Policies and Procedures (1/1/2021)

Procurement Policy

Whereas properties owned and managed by Tenants to Homeowners (TTH) from time to time need regular repairs and maintenance, and

Whereas adequate, efficient, and timely maintenance and repairs contribute to the safety and comfort of occupants of TTH, and

Whereas adequate, efficient and timely repairs are necessary for the preservation of the value of TTH properties,

The following procurement policy is adopted with regard to authorization of expenditures for repairs and maintenance of TTH properties and expenditures for new construction and neighborhood rehabilitation projects:

Spending

Up to \$2,500—Executive Director may authorize.

\$2,500 and over--Expenditure must be approved by the Executive Director acting with the Treasurer, or, in the Treasurer's absence, with another member of the Executive Committee.

Board Authorization, as documented by monthly board meeting minutes, is required for all purchase of real estate and any disposition of real estate outside of the Lawrence Community Housing Trust Program.

Capitalization Policy

In order for an asset to be capitalized, the asset must have a useful life greater than one year and a combined cost greater than \$500.00 for equipment, \$1,500.00 for real property improvements, and \$500.00 for computer software. The depreciation is determined by the useful life and full cost amount. The useful lives are as follows:

- New buildings and major renovations-40 years
- Building improvements and minor remodel-40 years
- Furniture and fixtures-7 years
- Office and computer equipment-5 years
- Software –3 years
- Vehicles-5 years
- All other equipment-7 years

Procurement Standards

All procurement of supplies and services, procurement contracts, administration of contracts and record keeping of contracts over \$100,000 will comply with regulations set forth at 24 Code of Federal Regulations Subtitle A (5-1-01 Edition), Section 85.36 *Procurement*.

Solicitation of Bids for Qualifying Materials, Products, and/or Services Will Include the Following:

- 1) Technical specifications for materials, products or services that do not unduly restrict competition.
- 2) Requirements for bidders including factors to be used in evaluating bids or proposals.
- 3) Description of technical specifications, acceptable characteristics and minimal acceptable standards in terms of the function of items or services to be procured.
- 4) Specific features of “brand name” or equivalent when included.
- 5) Preference, where practical and economically feasible, for products and services that conserve natural resources and protect the environment.
- 6) Solicitation materials, bids and evaluations will be documented to ensure compliance.

Positive Efforts Will Be Made to Utilize Small and Minority Firms and Women’s Business Enterprise Including, But Not Limited To:

- 1) Placing qualified small and minority businesses and women’s business enterprises on solicitation lists and making sure they are solicited whenever they are potential sources.
- 2) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women’s business enterprises.
- 3) Requiring the prime contractor, if subcontractors are to be let, to take the above affirmative steps.
- 4) Using the services and assistance of the Small Business Administration and the Department of Commerce Minority Business Development Agency.

Procurement Instruments That Are Appropriate and Promote the Best Interest of TTH, and of the Programs and Projects Involved, Will Be Used.

Instruments will include, but not be limited to, fixed price contracts, cost reimbursement contracts, and purchase orders. Cost plus a percentage of cost and percentage of construction cost methods will not be used with contracts over \$100,000 (according to 24 CFR 85.36).

Contracts Will Be Made Only With Responsible Contractors Who Possess the Ability to Perform Successfully Under the Terms and Conditions of the Proposed Procurement.

Consideration will be given to matters such as integrity, record of past performance, financial and technical resources, and accessibility to necessary resources.

Selection, Award and Administration of Contracts

Selection, award and administration of contracts will be made in a manner to promote, to the maximum extent possible, free and open competition among qualified bidders. Any contractor who drafts specifications, invitations to bid, requests for proposals or statements of work for any project of TTH shall not be eligible to bid for those projects. Awards shall be made to the firm whose bid or offer is responsive to the solicitation and most advantageous to TTH considering price, quality and other factors. Any and all bid offers may be rejected when it is in TTH’s interest to do so.

Records

Records of procurements of \$2,500 and over will include description of the basis for contractor selection, justification for lack of competitive bidding when it is not used, and specific basis for cost or price of the contract awarded.

Accounts Payable/Invoice Approval Policy and Procedures

Accounts Payable, Employee Reimbursement, and Payroll

The TTH financial management system utilizes QuickBooks accounting software for accounts payable and other bookkeeping functions. Invoices are reviewed by the Director, with approval signified by initials/date. Invoices and/or reimbursements to related parties must be approved by the Board. “Related party” is defined as family members and members of the same household. Invoices considered maintenance, like occurring utility bills, are allowed to be paid without Financial Committee approval if they fall within accepted thresholds. All other payables are reviewed by the Board Financial Committee signers before being paid.

Employees have a TTH credit card account for purchases for the organization. Purchases over \$100 must be preapproved by the Director. All purchases must have an original receipt. The TTH credit card billing statement is compared to original receipts and approved by the Director and Treasurer before remittance is sent. Any employees using a personal vehicle for TTH business may submit a bi-weekly mileage reimbursement request which is paid at the current IRS rate per mile. This request must itemize dates, reason for trip and mileage and must be signed by the Director to be paid in payroll.

Employees submit bi-weekly pay requests with sick, personal, and vacation days noted. All payroll requests are signed off by the Director. Payroll is prepared by the Bookkeeper, sent electronically to BOD signers and must be approved by two before being submitted on Singlepoint. The Director, Office Manager, and Bookkeeper are paid directly from administrative funds. The maintenance and rental managers are paid from project funds, as all of their work is expensed to new construction or rental classes.

The Bookkeeper enters approved invoices into the accounting software and US Bank Singlepoint. Payments require two approvals from BOD FC signers, and will confirm check sequence, compare invoiced amount to remittance amount, and compare address on invoice to address on bill pay system. Review of invoice and bill pay request will be signified by electronic approval via e-mail. Check stock is to be secured at all times, to be accessed only by the Bookkeeper. Issued but unsigned checks are to be similarly secured, although almost all checks are requested through the US Bank bill pay system. Voided checks are to be properly mutilated and retained with bank reconciliations. Copies of all bills and invoices paid with an original payment stub reflecting the payment method and what account the bill was paid out of are retained in the year-to-date digital or hard copy financial files organized by vendor. Bills paid through Singlepoint Bill Pay must be approved by the Finance Committee with a defined threshold amount. The list of approved electronic maintenance bills that can be paid without two signatures within their thresholds are kept in a spreadsheet. This list of maintenance bills and list of thresholds will be reviewed annually by the Finance Committee. All bills within the threshold limits approved by the FC can be paid online without signatures, but are approved by the Director.

Annually, all authorized check signers are updated to include a minimum of three signers--currently the President, Treasurer, and one member of the Finance Committee. All payments require two signatures, but cashier's checks or withdrawals can be made in person by a FC signer at the request of the Director for board approved purchases or closing cost payments on resales in trust.

Cash Management

Cash enters the organization in the form of rent or contributions received at events. Rent, contributions, and grant money are also received in the form of checks. Rent is received by mail or drop-off in the form of cash, check, or money order by the Property Manager. Tenants who drop off rent are provided a receipt. Cash received for rent or contributions is double-verified, logged/initialed by two employees, and secured in a locked box until deposited. Checks are immediately stamped with restrictive endorsement and entered into the accounting software by the Bookkeeper once a week. Cash deposits are made daily. Deposits of checks may be less frequent, but no less than once a week by deposit machine to TTH and LCHT accounts at US Bank.

Deposits are generally made by the Director or Bookkeeper. Deposit documentation consists of two parts: the bottom part is placed in the rental/project deposits folder for that month with supporting documentation. Most checks are deposited to US Bank through automatic check deposit machine at the office, but cash is taken to the bank. The deposit receipt from the bank is then returned and stapled to the bottom portion and filed. A separate file is maintained for each account. Monthly reconciliations are filed along with the monthly bank statements and are reviewed by the Executive Director with a signature.

Credit card, payroll withholding, and ACH withdrawal for lease fee and maintenance fees are paid online. Tenants also have the option to authorize ACH withdrawal of their rent. ACH batches are initiated by the Bookkeeper and only the Director and Bookkeeper have the password to initiate withdrawals. One Finance Committee member also has access to Singlepoint with their own individual token that allows them to look at transactions. TTH maintains an original copy of the permission we receive from each homeowner to withdraw automatically out of their account. The Bookkeeper has access from Singlepoint to pay the credit card bills online, but an approval to pay must be signed by the Director for all staff and the Treasurer for Director and Maintenance Manager's cards. The Bookkeeper and the Director have access to the EFT tax payment account online, although the Bookkeeper enters the payments.

Payroll Tax

Bi-weekly, 941 payroll tax deposits are prepared by the Bookkeeper, signed by the Director and Treasurer, and paid online. 941 quarterly reports are prepared in the same manner and mailed by the Director. 990 tax returns and schedules are prepared by the auditor and signed by the Director. 1099s, W-2, and the Kansas Withholdings are prepared by the Bookkeeper and Director on an annual basis. All copies are maintained in financial files and the Finance Committee can inspect at any given time, but at least once a year.

Board Responsibilities

Policy Against Conflict of Interest/Self-Dealing

Annually, a list of 1099 recipients is provided to the Board for review. TTH has a policy against self-dealing and real or perceived conflicts of interest, so Board members are expected to comply with this policy by affirming no affiliation with those on the 1099 list or abstaining from voting on material matters relating to an affiliated entity. Board members sign the Acknowledgement of the Conflict of Interest Policy annually.

No employee, officer, or agent of TTH shall participate in the selection, award, or administration of a contract supported by federal funds where a real or apparent conflict of interest, as defined by 24 CFR 85.36, would arise. No contract for goods or services will be made to any firm in which an employee, officer or agent of TTH, or any member of his/her immediate family, his/her partner, or an organization that employs or is about to employ any of the parties indicated above, has a financial or other interest. Nor will the employees, officers, or agents of TTH solicit or accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements. Willful violation of this policy will result in severance of employment, position, or agency for TTH, and in suspension of the contractor or sub-contractor from eligibility to bid or contract with TTH.

Fiscal Governance

The TTH board is directly involved in fiscal management as two board signers must sign and review all checks. The Director signs off on bank reconciliations, tax withholding, 941 quarterly reports, a General Ledger report, and reimbursement submissions for consistent grant funds on a monthly basis. A monthly checklist is reviewed by the Director and signed. At any time, the members of the Finance Committee can request to see reconciliations, general journal transactions and documentation and monthly checklists to ensure bills and taxes are being paid. The board is given a Balance Sheet vs. Previous Yr., Profit and Loss vs. Budget Report, a Cash Flow Report, and a Profit and Loss by Class on a monthly basis. These financial reports along with a variance

report are first reviewed by the Finance Committee (made up of three board members with financial and/or accounting experience) that meets one week before each board meeting. The Finance Committee reviews the monthly financial reports carefully before the full board meets so that any inconsistencies or concerns can be addressed before the board meeting and the Finance Committee can ensure that the issue is fully explained to the rest of the board. The Finance Committee is also responsible for an annual insurance audit and budget review. An annual budget is presented to the board and approved by December for the next calendar year to then provide financial markers to measure progress throughout the year.

Project Accounting

Program Funding/Project Reimbursement

Income consists of grant income (requires a grant application process and is allocated on a competitive basis), Investment income (income from DCCF endowment fund or other reserve accounts), and Program Income (income received through programs that meet our mission and are not competitive grants—rental income, consulting income, developer fee income, education income, management income, lease fee income, real estate sale income, resale income, maintenance income, etc.). Income from these sources are recorded as either Administrative or Project funds, depending on whether the funds support specific projects or operating expenses. Generally, TTH receives funds from the City of Lawrence’s entitlement grant HOME allocation, Kansas State HOME allocation, Federal Home Loan Bank AHP funds, United Way of Douglas County, and other various foundation grants. TTH is audited annually and the audit report is provided to the City of Lawrence, online at our website, on Guidestar, and will be made available to other grantors upon request. Most grant funds are requested in a competitive application process. If the grant is approved, a reimbursement request for project funds is submitted to the grantor. Upon receipt of the grant, these checks are entered and deposited into the administrative/project checking account or specific accounts for individuals grants, if required. All project invoices are labeled by project address and recorded under the new construction class with the address as the “customer” line. All rental invoices are labeled by rental address and recorded under the rental class with the address as the “customer” line.

Once a property is sold, TTH determines a developer’s fee that is expensed to the project as a developer’s fee and transferred to the administrative funds. This amount is roughly 10% (around \$10,000) of the project’s cost unless otherwise documented.

Many housing grants are written as loans although they are never intended to be paid back (state HOME funds and AHP funds). These grants must be recognized as liabilities similar to deferred revenue and are only recognized as income after the compliance period ends (generally 15-20 years).

Audit Requirements

Due to TTH’s federal receipts, a HUD Single Audit must occur each year, along with a 3rd party financial audit and governance presentation of findings. The Finance Committee of the board determines who they will contract with to complete each year’s audit and the Single Audit components. TTH follows all required OMB financial compliance requirements, based on receipt of funding. TTH annually reviews the COSO Framework suggestions on how to control and reduce risk and meet compliance requirements for separate HUD funding allocations and documents how its financial policies adhere to best practices for internal control under operations, reporting and compliance.