# Policies and Procedures for Financial Reports and Analysis

## BACKGROUND INFORMATION

Program monitoring is an important component to ensure a PHA’s long-term financial viability and a stable operating environment. Program monitoring includes analyzing financial information and reviewing key program metrics to ascertain the financial condition of a PHA’s programs and operations. Key performance metrics may include examining a program’s reserve levels, monitoring accounts receivable, occupancy / utilization rates, net income, etc. This policy applies to the financial analysis of all programs and projects operated by the PHA.

This document provides two (2) samples of a PHA financial reports and analysis policy and procedures.

* **Sample 1 – PHA with a Fee Accountant**. This sample provides an example financial analysis policy for a PHA who contracts with a fee accountant for the preparation of the monthly financial statements.
* **Sample 2 – PHA without a Fee Accountant**.This sample provides an example financial analysis policy for a PHA that prepares monthly financial statements in-house.

PHAs can simply cut and paste either or both samples into their policy and procedures document and modify as needed.

## ITEMS FOR CONSIDERATION

The following provides items that the PHA needs to consider when developing the policy and procedures for financial reports and analysis and the major assumptions that were used to develop the sample policy and procedures.

1. Assumption – The fee accountant will provide financial statements in a timely manner and in a format that enables the PHA to properly complete their review. *(PHAs with a fee accountant)*
2. Assumption – The PHA is able to print financial statements and other financial and occupancy reports from the PHA’s software system for purposes of analysis and review. *(PHAs without a fee accountant)*
3. Assumption – The auditor is willing and able to communicate with the Chairman of the Board. *(All PHAs)*

SAMPLE 1 – PHA WITH A FEE ACCOUNTANT

## FINANCIAL ANALYSIS POLICY

This policy applies to the financial reports and analysis of all programs and projects operated by the PHA.

Financial analysis shall be performed regularly to determine the PHA’s current financial strengths and weaknesses and the relative strengths and weaknesses of the individual projects and programs. A secondary purpose of the analysis shall be to aid management in identifying accounting discrepancies or unrecorded transactions.

The analysis should be completed monthly using current financial and non-financial data. The financial reports shall be reviewed by the Executive Director and will be provided to the Board of Commissioners as part of the monthly board meeting.

## FINANCIAL ANALYSIS PROCEDURES

### Financial Statements

The financial statements prepared by the fee accountant are the official financial records of the PHA.

The income statements provided by the fee accountant shall include monthly actual, year to date actual, budget and variance columns for the PHA to review.

These financial statements will be used to populate any additional financial reports created by the PHA.

### Review of Financial Statements

Financial statements for each project and/or program shall be reviewed by the Executive Director with the appropriate manager(s) monthly. These reviews shall incorporate discussions of deficiencies noted by either party. Cash/investment balances, budget-to-actual performance, and net income/loss shall be specifically addressed in the reviews.

A budget to actual comparison shall be completed for each project and/or program with significant variances researched and necessary corrections or adjustments listed. The previous month’s list of significant variances will be reviewed to determine if outstanding corrections and adjustments were made.

If a trend of significantly over/under budget items is noticed, the Executive Director shall take documented measures to address the source of the issue. If the source of the budgetary issue is outside of the control of the PHA, consideration should be given to updating the operating budget.

The Executive Director will certify that an analysis has been conducted by signing and dating the monthly financial statements.

### Financial Dashboard

A monthly financial and occupancy analysis report, sometimes called a financial dashboard report, should be completed by the Executive Director. This report is a summary of key financial and occupancy indicators of the PHA. For each key performance indicator, the purpose of the indicator and an acceptable benchmark should be provided. The dashboard report will be submitted to the Board of Commissioners at the monthly board meeting.

### Housing Choice Voucher Utilization

Trending information regarding voucher utilization of the Housing Choice Voucher (HCV) program shall be reviewed by the Executive Director along with the manager responsible for the HCV program. This review will include a discussion regarding future plans for increasing, decreasing, or maintaining the current leasing levels in order to effectively use the funding available for the program. The review will also include a discussion of the current financial reports for the program to determine if any requests need to be made to HUD for additional funding.

### Chairman of the Board

As part of the end of year financial analysis and review, the Chairman of the Board will communicate one-on-one with the fee accountant, preferably after the unaudited Financial Data Schedule (FDS) has been submitted. This conversation will cover questions the Chairman may have regarding the financial position of the projects/programs as well as concerns or other issues the fee accountant may want to communicate.

Questions that the Chairman of the Board may choose to ask the fee accountant include the following:

* Does the PHA send information in a timely manner?
* Is the information sent to the fee accountant complete and accurate?
* How is the financial position of the projects/programs and the PHA as a whole?
* Are costs reasonable as they relate to funding levels?
* Has the fee accountant noticed any costs that could be perceived as questionable?

As part of the audit process, the Chairman of the Board will have an exit conference with the auditor and a HUD representative by phone to discuss findings or other relevant issues during the audit process.

SAMPLE 2 –PHA WITHOUT A FEE ACCOUNTANT

## FINANCIAL ANALYSIS POLICY

This policy applies to the financial reports and analysis of all programs and projects operated by the PHA.

Financial analysis shall be performed regularly to determine the PHA’s current financial strengths and weaknesses and the relative strengths and weaknesses of the individual projects and programs. A secondary purpose of the analysis shall be to aid management in identifying accounting discrepancies or unrecorded transactions.

The financial analysis shall result in a documented report and will incorporate financial reports prepared by the finance department from the PHA’s accounting system, reports compiled from other modules of the PHA’s management information system, and data from outside of the PHA’s system. The analysis should be completed monthly using current financial and non-financial data. The financial reports and analysis shall be reviewed by management and will be provided to the Board of Commissioners upon request.

## FINANCIAL ANALYSIS PROCEDURES

### Financial Statements

The financial and other analysis reports shall be completed monthly following the monthly close in the PHA’s accounting system.

The income statements shall include monthly actual, year to date actual, budget and variance columns for the PHA to review.

The financial statements and information contained in other modules of the PHA’s management information system will be used to populate any additional financial reports created by the PHA.

### Review of Financial Statements

Financial statements for each project and/or program shall be reviewed by the Executive Director with the appropriate manager(s) on a monthly basis. These reviews shall incorporate discussions of deficiencies noted by either party. Cash/investment balances, budget-to-actual performance, and net income/loss shall be specifically addressed in the reviews.

A budget to actual comparison shall be completed for each project and/or program with significant variances researched and necessary corrections or adjustments listed. The previous month’s list of significant variances will be reviewed to determine if outstanding corrections and adjustments were made.

If a trend of significantly over/under budget items is noticed, the Executive Director shall take documented measures to address the source of the issue. If the source of the budgetary issue is outside of the control of the PHA, consideration should be given to updating the operating budget.

The Executive Director will certify that an analysis has been conducted by signing and dating the monthly financial statements.

### Financial Dashboard

The monthly financial analysis report, sometimes called a financial dashboard report, should contain key performance indicators by project/program. The dashboard report is a summary of key financial and occupancy indicators of the PHA. Monthly financial and key performance indicators may include the following items:

* Quick ratio
* Months Expendable Net Asset Ratio (MENAR)
* Percentage of monthly and YTD budget expended
* PUM comparison to other comparable projects/programs
* Vacancy rates
* Average unit turnaround days

The Executive Director shall initial each financial dashboard report indicating that the report has been reviewed. Any comments on substandard indicators should be attached to the financial dashboard report with an explanation.

### Housing Choice Voucher Utilization

Trending information regarding voucher utilization of the Housing Choice Voucher (HCV) program shall be reviewed by the Executive Director along with the manager responsible for the HCV program. This review will include a discussion regarding future plans for increasing, decreasing, or maintaining the current leasing levels in order to effectively use the funding available for the program. The review will also include a discussion of the current financial reports for the program to determine if any requests need to be made to HUD for additional funding.

The Executive Director shall initial the voucher utilization report indicating that the report has been reviewed. Any comments on substandard indicators should be attached to the report with an explanation.

### Chairman of the Board

As part of the end of year financial analysis, review and audit, the Chairman of the Board will have an exit conference with the auditor and a HUD representative by phone to discuss findings or other relevant issues revealed during the audit process.