# Policy and Procedures for Financial Close-out and Reporting

## BACKGROUND INFORMATION

Financial close-out and reporting refers to the process by which any business organization, including PHAs, verifies the accuracy and completeness of their financial information to conform to reporting requirements and specific regulatory guidelines. The goal of this policy is to have PHAs provide timely and accurate financial statements within a reasonable period after the end of each month.

Financial statements are critical to the oversight and management of a PHA. Financial statements are used by PHA management and the Board to understand and monitor the financial health of the PHA and allows for decisions to be made in a timely manner. This policy ensures that accounting transactions are completed within the PHA’s financial accounting system so that detailed, accurate, and timely financial statements are available. For year-end close-out, the financial reports from the accounting system must be in sufficient detail to allow for the preparation of the Financial Data Schedule (FDS) and financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

The financial close-out process is comprised of individual policies and procedures to close the PHA’s books, correct potential errors, make specific accounting adjustments, and prepares accurate financial statements and information. This close-out and reporting policy can be thought of as the final product of the other supporting policies and procedures. Policies and procedures that are part of the financial close-out process include: bank reconciliations, account payables, capitalization, cost allocation, etc.

This document provides two samples of a PHA financial close-out and reporting policy and procedures.

* **Sample 1 – PHA with a Fee Accountant**. This sample provides an example financial close-out and reporting policy for a PHA that utilizes a fee accountant for financial reporting purposes.
* **Sample 2 – PHA without a Fee Accountant**.This sample provides an example financial close-out and reporting policy for a PHA that performs all accounting functions in-house.

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

## ITEMS FOR CONSIDERATION

In the review of the samples, the PHA will need to take their specific situation into consideration when modifying the financial close-out and reporting policy and procedures to suit their PHA.

The following provides the major assumptions that were used to develop the sample policy and procedures.

1. Assumption – The fee accountant will prepare the FDS submission to REAC. *(PHAs with a fee accountant)*
2. Assumption – The PHA with in-house accounting will prepare their own FDS rather than utilize the services of a fee accountant to perform this task. *(PHAs without a fee accountant)*
3. Assumption –The PHA uses a full accrual method of accounting, not modified accrual. *(All PHAs)*
4. Assumption – The PHA is required or has elected to have a financial audit. *(All PHAs)*

SAMPLE 1 – PHA WITH A FEE ACCOUNTANT

## FINANCIAL CLOSE-OUT AND REPORTING POLICY

The monthly and year-end financial close-out and reporting policy and procedures ensure that accounting transactions are completed within the PHA’s financial accounting system so that detailed, accurate, and timely financial statements are available to decision makers. For year-end close-out, the financial reports from the accounting system must be in sufficient detail to allow for the preparation of the Financial Data Schedule (FDS) and financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Specifically,

* The financial close shall be performed timely following month-end to allow for the preparation of the financial analysis and board reporting in accordance with the respective policies.
* The fee accountant is responsible for the reporting of certain financial information. The reporting of other information, including performance metrics shall be the responsibility of the PHA using information from the PHA’s management information system.
* The Executive Director will provide a schedule to the fee accountant no later than one (1) month before the start of the PHA’s fiscal year with the expected dates of the monthly board meetings. The schedule is to ensure that the fee accountant provides the financial statements and other financial information to the PHA in time for review at the board meetings.
* The PHA will prepare one (1) month prior to the start of the PHA’s fiscal year, a list of those items to be completed for both the monthly and year-end reporting. The list will be reviewed each month and adjusted as needed.

## FINANCIAL CLOSE-OUT AND REPORTING PROCEDURES

The following procedures will be utilized for the monthly and year-end processing of financial statements.

The Executive Director will provide a schedule to the fee accountant no later than one (1) month before the start of the PHA’s fiscal year with the expected dates of the monthly board meetings. The schedule is to ensure that the fee accountant provides the financial statements and other financial information to the PHA in time for review at the board meetings.

### Month-End Closing (including the fiscal year-end month)

One (1) month prior to the start of the PHA’s fiscal year, the PHA will provide a list of the items needed for the monthly financial close. The list will be reviewed and adjusted each month as required.

Following the end of the month, the PHA shall gather all documentation needed for the preparation of the financial statements and forward the information to the fee accountant by the 5th day of each month.

Documentation may include but is not limited to the following items listed below:

1. Bank statements, although it is recommended that the bank forward the bank statements directly to the fee accountant;
2. Rental registers that have been balanced and approved by the Executive Director/Program Manager;
3. Copies of all check vouchers with invoices attached;
4. eLOCCS draws for all funding;
5. Correspondence from HUD related to funding;
6. Copies of all deposits;
7. Units leased reports for all programs;
8. Copies of investment statements;
9. Any other registers or spreadsheets to document balances such as FSS escrow amounts or port-in receivable balances; and
10. Other information that may be needed to complete the monthly financial statements.

The PHA will need to communicate with the fee accountant, as necessary to ensure that the fee accountant is kept aware of any changes to the PHA organization, programs, policies or other PHA activity (such as changes to health benefits, accrued vacation, creation of a non-profit, etc.), which may require the fee account to modify the accounting for the PHA.

### Review of Month-End Financial Reports

Once the monthly financial statements and financial package are received from the fee accountant, the Executive Director will review the statements, general ledger, and other provided reports for accuracy. Any questions will be forwarded to the fee accountant.

The Executive Director will initial and date each report provided by the fee accountant to indicate that the review of the financial information was completed.

### Fiscal Year-End Closing

Normally as part of the year end close, the fee accountant will provide a list of documents requested from the PHA as well as templates and forms that must be completed by the PHA and sent back to the fee accountant.

As part of the year-end process, the PHA will forward all year end documentation to the fee accountant no later than 15 days after the end of the PHA’s fiscal year. A list of year-end items requested by the fee accountant typically includes the following items.

1. Accounts payable listing;
2. Wages payable;
3. Accrued leave amounts, including beginning balances, accrued leave earned, and accrued leave taken by employee. The PHA may need to consult their personnel policy to determine what kind of leave is eligible and how much may be carried over from year to year;
4. Investment balances at year end, and any accrued interest receivable;
5. Purchases of capital items;
6. List of outstanding tenant receivable balances, preferably in an aged receivable report format;
7. Prior year audit adjustments; and
8. Maintenance inventory listing.

The fee accountant will prepare the financial statements and the FDS in accordance with GAAP no later than 2 months after the end of the PHA’s fiscal year.

The PHA’s unaudited FDS is due to HUD no later than 2 months after the end of the PHA’s fiscal year.

The fiscal year-end financial statements will be presented to the Board of Commissioners no later than 75 days after the PHA’s fiscal year end.

Once a copy of the audit report is available, the audit will be provided as part of the next Board reporting package. The audit report will be an agenda item at the Board meeting.

The audit report is to be completed no later than seven (7) months after the end of the PHA’s fiscal year.

The audited FDS and required sections of the audit report will be submitted to REAC no later than seven (7) months after the end of the PHA’s fiscal year. Note: While the audited FDS is due to HUD no later than 9 months after the PHA’s fiscal year end; the earlier deadline of 7 months allows for unexpected delays to be addressed in a timely fashion.

The audit report will be provided to the HUD local field office and other oversight organizations, as required.

SAMPLE 2 – PHA WITHOUT A FEE ACCOUNTANT

## FINANCIAL CLOSE-OUT AND REPORTING POLICY

The monthly and year-end financial close-out and reporting policy and procedures ensure that accounting transactions are completed within the PHA’s financial accounting system so that detailed, accurate, and timely financial statements are available to decision makers. For year-end close-out, the financial reports from the accounting system must be in sufficient detail to allow for the preparation of the Financial Data Schedule (FDS) and financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Specifically,

* The financial close shall be performed timely following month-end to allow for the preparation of the financial analysis and board reporting in accordance with the respective policies.
* The finance department is responsible for the preparation and reporting of the financial statements and supporting schedules. The reporting of other information, including performance metrics shall be the responsibility of the respective areas of the PHA using information from the PHA’s management information system.
* The Executive Director will provide a schedule to the Finance Director no later than one (1) month before the start of the PHA’s fiscal year with the expected dates of the monthly board meetings. The schedule is to ensure that the Finance Director provides the financial statements and other financial information to the PHA in time for review at the board meetings.

## FINANCIAL CLOSE-OUT AND REPORTING PROCEDURES

The following procedures will be utilized for the monthly and year-end processing of financial statements.

The Executive Director will provide a schedule to the Finance Director no later than one (1) month before the start of the PHA’s fiscal year with the expected dates of the monthly board meetings. The schedule is to ensure that the Finance Director provides the financial statements and other financial information to the PHA in time for review at the board meetings. HUD reporting due dates, including the submission of the unaudited and the audited Financial Data Schedules, shall also be included on this schedule.

### Month-End Closing (including the fiscal year-end month)

Following the entry of typical transactions including receipts, accounts payable, and disbursements into the accounting system, bank reconciliations will be prepared for all demand accounts of the PHA in accordance with the bank reconciliation policy. Any discrepancies discovered in the bank reconciliations will be addressed with applicable journal entries entered into the accounting system.

The following is a list of account balances that will be reconciled monthly:

1. Tenant accounts receivable and security deposit balances will be reconciled against tenant register reports from the system.
2. Investments will be reconciled against statements provided by the financial institution.
3. Prepaid assets and debt will be reconciled to their corresponding amortization schedules or statements.
4. Capital Fund Program (CFP) reports will be reconciled against eLOCCS draws and reports.
5. Low Rent, HCV, and other program revenues will be reconciled against the respective funding documentation. Any necessary accruals for program income will be accrued monthly.
6. Bank reconciliations will be kept with their respective bank statements and filed by account and then by date. CFP reports and related reconciling documents will be filed by grant year and then by date. Other reconciling documentation will be filed by date.
7. Management and bookkeeping fees will be reconciled against their respective schedules.
8. Interfund balances will be reconciled.

A monthly close checklist will be completed and initialed by the Finance Director to indicate that the required reconciliations have been completed. The monthly close checklist will then be presented to the Executive Director providing documentation that the financial statements are accurate.

### Review of Month-End Financial Reports

Financial statements shall be reviewed by the Executive Director and other PHA staff, as applicable. Staff (including the Executive Director) who are required to review the financial statement shall initial and date the statements, to indicate that a proper review was completed. Unexplained variances and questions, raised as part of the review process should be documented and sent to the finance department.

Communication with the finance department will be established (regular monthly meetings) to ensure that the finance department is kept aware of any changes to the PHA organization, programs, or other PHA activity (such as changes to health benefits, accrued vacation, creation of a non-profit, etc.), which may require finance to modify the accounting for the PHA.

### Fiscal Year-End Closing

On an annual basis, the Executive Director and Finance Director will create a list of due dates for specific tasks required to complete the year-end financial statements. This list may include items such as reconciling the depreciation schedule or conducting an inventory of maintenance materials. This approach is intended to allocate the work related to the preparation of the year-end financial statements throughout the year rather than all at once at year end.

As part of the year-end process, a list of items needed to complete the financial statements will be prepared no later than (1) one month prior to the end of the fiscal year. The list will be provided to department heads, program managers, and project managers. The items on the list will generally consist of verifying that inventory counts are completed, receivable balances are accurate, payable balances are complete, accrued leave balances are reviewed, etc.

The finance department will prepare the submission of the unaudited Financial Data Schedule (FDS), which is due to HUD no later than 2 months after the PHA’s fiscal year end.

The fiscal year-end financial statements will be presented to the Board of Commissioners no later than 75 days after the end of the PHA’s fiscal year.

Once a copy of the audit report is available, the audit will be provided as part of the next Board reporting package. The audit report will be an agenda item at the Board meeting.

The audit report is to be completed no later than seven (7) months after the end of the PHA’s fiscal year.

The audited FDS and required sections of the audit report will be submitted to REAC no later than seven (7) months after the end of the PHA’s fiscal year. Note: While the audited FDS is due to HUD no later than 9 months after the PHA’s fiscal year end; the earlier deadline of 7 months allows for unexpected delays to be addressed in a timely fashion.

The audit report will be provided to the HUD local field office and other oversight organizations, as required.