



**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

INTERNAL CONTROL MANUAL

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TABLE OF CONTENTS

SECTION	PAGE
Introduction	1
Agency Background	2
Compliance with Laws and Regulations Administration of Programs	3
General Access Control to Agency Offices and Information Technology	4
Accounting Procedure Guides	5
Cash Management	6
Cash Receipts	7
Cash Disbursements (including Payroll)	8
Bank Reconciliations	10
Federal Aid Management	11
Loan/Grant Management	13
Rehabilitation Loans	14
Escrow Funds	16
Project Income	17
Capital Asset Management	18
Real Property	19
Personal Property	20
Debt Management	21
Compensated Absences and Other Postemployment Benefits	22
Due to Other Governments	23

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

INTRODUCTION

The Town of North Hempstead Community Development Agency (the “Agency”) is a municipal urban renewal agency under the General Municipal Law of the State of New York (the “State”). Its operations and activities are funded largely through Community Development Block Grant Program and HOME Investment Partnership Program grants (“Federal Aid”) from the United States Department of Housing and Urban Development (“HUD”) through the Nassau County Office of Community Development (“OCD”).

In a report to the members of the Agency (the “Members”) on the Agency’s accounting procedures and internal control structure prepared in July 2006, an independent certified public accounting firm which audited the Agency’s 2005 financial statements recommended that the Agency formulate accounting and internal control policies and procedures for its financial management, bookkeeping and accounting activities, and prepare an Accounting and Procedures Manual (the “Manual”) reflecting those policies and procedures.

The Manual will assist the user in accessing current policies and procedures and understanding the procedures implemented to carry out Agency operations. The policies and procedures are incorporated into this document as they currently exist and should be updated as conditions change as to staff availability, applicable laws and program requirements. This should be treated as a living document and should be reviewed at least every other year to maintain its effectiveness.

All policies and procedures, in the absence of overriding regulations, should be established with the idea that the cost of effectively utilizing the policy/procedure does not exceed the benefit obtained.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

AGENCY BACKGROUND

The Agency was established in 1967 as the Urban Renewal Agency of the Town of North Hempstead (the “Town”) under the general laws of the State and various local laws. In 1978, its name was changed to its present designation. The Agency is a corporate governmental agency created by State legislation to promote the safety, health, and welfare of the Town’s inhabitants and to promote the sound growth and development of the Town. The Members comprise the governing body responsible for overall operations. The Executive Director serves as the chief executive officer, while the Assistant Director serves as the chief financial officer.

The Agency provides a range of community development services including construction of affordable housing, residential and commercial land acquisition, code enforcement services, public facility improvements and assistance to public service organizations.

The Town is accountable for the legally separate Agency because it appoints the Members, the governing body of the Agency, and there is a potential for the Agency to provide specific financial benefits to, or impose financial burdens on, the Town.

The Agency functions with the support of a number of interconnected parties identified as follows:

Agency Board	The governing body consisting of five Members appointed by the Town Board.
Officers	Chairman, Vice-Chairman, Treasurer and Secretary with duties described in the By-Laws (see Appendix).
Agency Employees	Executive Director, Assistant Director, Administrative Assistant.
Contractors	Internal Accountant, Independent Auditor
Town	Town Supervisor, Comptroller’s Department Accountant
Nassau County	OCD Liaison

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

**COMPLIANCE WITH LAWS AND REGULATIONS
ADMINISTRATION OF PROGRAMS**

At the Agency's annual organizational meeting the scope and personnel assigned to be responsible for each policy should be updated and reviewed. If policies are linked to Town practices, then any Town changes should be considered at that time.

The current Employee Handbook makes references to specific benefits and other information that is subject to change over time. To allow for the continual use of the document, it would be better for changeable items to be incorporated as exhibits attached in a separate section than in the body of the document. Additionally, the Employee Handbook should be updated.

Programs are administered in accordance with the HUD regulations for the Community Development Block Grant and HOME Investment Partnership Programs, the Public Authorities Accountability Act of 2005, and the Public Authorities Reform Act of 2009. Programs are also administered in accordance with the consortium and subrecipient agreements with Nassau County. Applications for program assistance are reviewed by Agency staff and are submitted to the members of the Agency for their disposition.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

**GENERAL ACCESS CONTROL TO AGENCY OFFICES
AND INFORMATION TECHNOLOGY**

The Agency shares its offices with the Town Department of Public Safety. The offices are maintained by the Town Department of Parks and Recreation. Access to the offices is controlled by passkeys distributed by the Town Department of Finance. Agency records are kept in locked file cabinets and room(s).

Access to computers in the offices is controlled through a system of user identifications and passwords overseen by the Town Department of Information Telecommunications and Technology.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

ACCOUNTING PROCEDURE GUIDES

The included procedure guides are available for the use of management and employees to process the transactions of the Agency in a timely and accurate manner with the aim of being able to provide the Agency Board with decision making information and financial statements prepared in accordance with generally accepted accounting principles.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

CASH MANAGEMENT

Receipts (in the form of checks, money orders or direct deposits) are received by the Agency and by the Town for the Agency in the normal course of business (see the detailed procedures in the Cash Receipts section). The Agency does not accept cash.

The Agency processes all non-payroll disbursements through the Town's Accounts Payable system and payments are made with computer generated checks. Payroll checks are processed through an outside service. All other payroll related checks are drawn manually from the lump sum account through checks. All checks are manually signed (see the detailed procedures in the Cash Disbursements section).

To maintain adequate control over cash, timely reconciliations between the Agency's records and the banks are prepared (see the detailed procedures in the Bank Reconciliation section).

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

CASH RECEIPTS

All mail, (with the exception of junk mail) that comes directly to the Agency is logged (various receipts are entered on spreadsheets) by the Administrative Assistant. Original checks and money orders are deposited by the Executive or Assistant Director and a copy of maintained by the Administrative Assistant, who will enter the receipt into the General Ledger through the Cash receipts system.

The Comptroller's Office receives checks for the Agency directly from Nassau County for reimbursement of Federal Program expenditures (draw downs). The Town deposits the funds into their accounts and prepares a wire transfer to the Agency. The Town will record the wire in the General Ledger through the Cash receipts system and notate which drawdowns (DD) were paid.

Interest Income is recorded monthly, into the applicable accounts, when the bank statements are received.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

CASH DISBURSEMENTS (INCLUDING PAYROLL)

Invoices are received by the Administrative Assistant and recorded on the Log. The Executive Director or his designee will allocate the expense to the appropriate Budget line item, project, and grant year(s), by reviewing the most recent Internal Reconciliation with OCD's Chart of Accounts (prepared by the Internal Accountant). The Executive Director or his designee will initial the expense review noting that goods/services were received and in compliance with contract provisions where applicable. A description of the project will be included in the A/P processing for future reference when reviewing the general ledger activity.

Vendors are added to the New World Accounting System by the Town Accountant.

Payments are only made to Vendors on approved claim forms. If a standard invoice is received (utility) then Administrative Assistant will transfer the appropriate information to the claim form (standard templates have been established and she saves copies of all claims she creates).

The Administrative Assistant enters the claims into the Accounts Payable module and produces a Payment Register for review. The claim must have the Certifying Officer's signature. Checks signed and claims are certified. Two physical signatures are necessary on checks. Usually, they are the signatures of the Executive Director and one Board Member (could be two Board Members) go on each check. The Payment Register will be provided to the check signers to verify the completeness of the check batch. The Executive Director or his designee will initial the Payment Register indicating dual signatures are present on all checks to be released. After the checks have been signed, the register will go to the Assistant Director or designee to input applicable disbursements to the Down Home program. The Payment Register will be returned to and filed by the Administrative Assistant after notation that the loan disbursements if applicable have been inputted.

The checks are mailed by the Agency Administrative Assistant. Any returned items would go to the Agency for follow up.

The original claims, with the Certifying Officer's signature, and where applicable, Federal program drawdown (DD) numbers are filed in the Agency files.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

CASH DISBURSEMENTS (INCLUDING PAYROLL) (CONTINUED)

The Agency has three paid salaried employees and uses a payroll service to process payroll, and produce employee payroll checks and tax reports. All other checks for withholdings are manually prepared by the Agency. Salaries and fringe benefits are included in the Agency's budget lines separate from OTPS (other than personnel service). Allocation of expense is based on bi-weekly timesheets. The Internal Accountant proofs the timesheets and summarizes the activity for the Administrative Assistant to prepare the A/P claim for the period.

Salaries are established by the Board / Union contract. Increases are calculated by the Internal Accountant and provided to Administrative Assistant who will input into the payroll system.

Employees maintain individual timesheets for each pay period. Time is allocated to the various programs on these sheets. The Executive Director approves the other employees' timesheets and leave requests. The Assistant Director approves the Executive Director's timesheet.

Two signatures are needed on payroll and related withholding checks. (Currently all employees receive payroll through direct deposit.) Usually the Executive Director and one Board Member sign the checks. Withholdings are mailed with transmittal letters detailing the individual employee information.

A copy of the Payroll service reports are included in a packet along with copies of the withholdings disbursed, which is reviewed and signed by the Executive Director. This supporting package is included in the drawdown request support sent to the County OCD for reimbursement.

The Agency tracks time and leave benefits on a spreadsheet linked with the individual employee's timesheet file. An annual summary is reviewed by each staff member and certified correct. See separate section on Compensated Absences in Debt Management section.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

BANK RECONCILIATIONS

The Banks send monthly statements of activity to the Agency. The originals of these statements are maintained at the Agency. Monthly the Internal Accountant obtains copies of these statements and a download of the accounting system's "Detail" General Ledger Report for the period.

It is noted that the Administrative Assistant posts the activity to the general ledger for cash receipts and transfers. All non-payroll disbursements go through the Accounts Payable module of the accounting system on a claim form. Payroll is not processed through the cash account on a check by check basis. Only the gross payroll is journalized on a claim form into the Accounts Payable module.

Although all Accounts Payable disbursements come from the Lump Sum bank account, the recording of the transactions is allocated between the Lump Sum cash account and the Program Income cash account within the general ledger.

The bank reconciliation process identifies timing differences in posting and also the current total of funds due between the two cash accounts (Lump Sum and Program Income). Because checks are only drawn on the Lump Sum bank account, a transfer between accounts must be done via a wire transfer.

The activity of the Program Income account is reported monthly to OCD. This includes only the general ledger activity of receipts and disbursements that have been identified a Program Income and does not include the bank transfers to reimburse the Lump Sum cash account. The Administrative Assistant will prepare this report. It will be reviewed by the Internal Accountant and reconciled to the general ledger activity. The Executive Director will then sign the report and it will be submitted to OCD.

Monthly the Internal Accountant will review the 3rd party Cash collateral reports to ensure adequate collateral is available.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

FEDERAL AID MANAGEMENT

The Agency must submit an application to OCD with justification for each line item requested, generally in March for the next program year. Program years fund from September 1 through August 31. The application includes actual costs from the prior year (the Executive Director gets these from the Agency's accounting system, usually a vendor inquiry instead of a specific general ledger account).

The Agency Board approves the application that then goes to the Town Board for approval. Upon approval it is submitted to OCD. OCD reviews the application against their 5 year plan, which includes other subrecipients.

The total OCD budget goes to a public hearing and then to HUD for approval. OCD will issue a letter to the Agency identifying their approved budget lines.

A contract is sent to the Agency for Board Member approval and the signature of the Executive Director. The Agency then forwards it to the Town for Town Board approval. The Town Supervisor will then sign the contract after the Town Board has adopted the resolution accepting the contract. The signed contract is sent to OCD. The County must put the contract through their system to assign it a contract identification number. OCD must also inform the Agency that the environmental review process is completed.

The Town Comptroller's office will input new general ledger accounts for the applicable approved budget lines which will be requested by the Internal Accountant

Transfers may be made within the Contract Funding year between program lines. Funds must be available with no outstanding bills or work in progress. The transfer must indicate where program line funds are coming from and going to.

The Agency Board will approve a resolution to transfer funds across Contract Funding year periods with notification to the Official newspaper. The transfer must indicate where the funds are coming from, where they are going and the purpose for the transfer. OCD will process the transfer after public notice and send back a confirmation letter. The Agency resolution and OCD confirmation will then be sent to the Town.

Funds are received after drawdowns (DD) of claims paid are submitted to OCD and approved according to available budget lines. Grant fund lines are opened until they are fully spent. The Agency is to request funds on a first in first out ("FIFO") basis with consideration for expense eligibility.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
FEDERAL AID MANAGEMENT (CONTINUED)**

Once the cash has been disbursed for the various program activities, the Administrative Assistant will make copies of the Agency claim documents and prepare a Nassau County Vendor Claim Form to request reimbursement. Each program line will be on a separate Vendor Claim Form. They will be assigned a unique identifying number with the year month and next number in sequence. For instance, DDXX0508 is the 8th DD in May of 20XX.

The packet of Agency DD copies and the Nassau County Vendor Claim form are sent to the Agency's Executive Director for review and approval. The Agency then sends the approved packet to the Town Comptroller's Department for review. They must then be sent to the Town Supervisor for signature before they go to OCD (through the 35th year grant).

OCD will review the DD documents, and if they approve, the DD will be sent to the Nassau County Comptroller's Office for review (an additional copy must go to OCD for this review). OCD will update their internal schedules to track available funds by line and grant year. Periodically, OCD reports the balances available for each grant year and line item.

The Agency keeps track of all requests for reimbursement DD on spreadsheets. When a payment is received from OCD, it is recorded on the spreadsheet by the Town Comptroller's department. Any discrepancies are noted. The Town will wire the receipts to the Agency and record the cash receipt in the general ledger with notation of the DD's paid.

Copies of the deposit slips along with the checks are submitted to the Administrative Assistant. From the 30th Program year until the 35th Program year, Zero Claims are processed in the same drawdown manner; the attached back up is the copy of the deposit slip the check and the Agency's bank statement showing the funds were wired into the account. After the DD is signed by the Executive Director and the Town Supervisor it is submitted to the OCD for review.

On a monthly basis, the DD(s) will be recorded and a receivable set up in account CD901.0410 with their various revenue lines recorded as applicable. These entries will be prepared by the Internal Accountant from the DD(s) and be posted in the appropriate month's general ledger activity. Approval of the entry will be by the Executive Director or Assistant Director.

The Internal Accountant will update a schedule that identifies the current available balances in the grant program lines broken down by program year and regular vs. administrative expenditures. The Internal Accountant will reconcile this schedule with the monthly report of OCD. Monthly, the Internal Accountant will reconcile the revenues and expenditures of the General (Lump Sum) fund, which is funded by the Block Grant on a reimbursement basis.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

LOAN/GRANT MANAGEMENT

Under the terms of the Community Development Block Grant program, the Agency can provide loans and grants for residential improvements for low and moderate income homeowners residing in the unincorporated sections of the Town.

The Agency also provides loans and grants for business and commercial development and redevelopment.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

REHABILITATION LOANS

Rehabilitation Program assistance is initiated by property owners submitting a voluntary application to the Agency. Applications are prioritized in the order received, the exception being emergencies. Emergencies are addressed before a regular rehabilitation project. Agency staff reviews applications and field conditions for eligibility. Staff makes an executive summary of: household situation, existing conditions, proposed work, and proposed assistance. The determination of emergency vs. regular rehabilitation assistance is based on the following;

- (i) Emergency Rehabilitation Assistance (ERA) is for work related to a condition that makes living in the house dangerous or if left unaddressed can cause a dangerous condition and or a new indirect conditions. Generally emergency work is addressed under a single trade contractor procured by (2) two or more letter proposals within the Agency's current (ERA) amount or an amount approved by the Board of Directors. ERA cases may proceed prior to the Board of Directors' approval and be ratified at a Board of Directors' meeting. Regular Rehabilitation (RRA) often follows ERA assistance.

- (ii) Regular Rehabilitation Assistance (RRA) is for work related to existing nonconforming improvements, deteriorated conditions, and housing unit conditions that do not meet Housing Quality Standards. This work is generally higher in costs as compared to ERA and is addressed via a general contract involving more than one trade, requiring a work specification, general conditions, invitation to bid and sealed bid proposal of (2) two or more bids. RRA is approved by the Board of Directors and secured by a note and mortgage.

- (iii) Bids or letter proposals amounts that exceed ERA or RRA amount can be addressed as follows;
 - The property owner depositing escrow funds with the Agency for the amount that is above what is approved, or
 - reduce the base bid amount by selecting a bid proposal option, or
 - the Board of Directors can approve a staff recommendation for additional loan or grant assistance.
 - Assistance exceeding \$25,000 requires work to be done by a lead abatement contractor.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

REHABILITATION LOANS (CONTINUED)

Following assistance approval (owner's selection of contractor, recording of note, mortgage, and owner/contractor contract signing), work may proceed. As work progress Agency staff makes inspections and owner and contractor submit Payment Requisitions (vender invoices) to the Agency, certified by the contractor, homeowner, and Agency staff. Contract retainage is withheld on partial payments and released with final payment. Payment Requisitions are processed as other Agency vender invoices are.

When a loan becomes payable (i.e., death of borrower, refinancing, rental, sale or transfer of the home), the principal balance of the loan is paid, the Agency then issues a mortgage satisfaction. Cash from these payments are reported as a reduction of the Receivable account and deposited into the Agency's Program Income savings account. If the borrower does not meet obligations of the loan documents (i.e. note and mortgage), the Agency seeks payment. If debt is not collected, staff recommends the Board of Directors approve: 1) write-off of the loan and retention of the asset for future collection, 2) close out of the loan and asset and no future collection, or 3) foreclosure. This staff recommendation is based on which action will result in the greatest return relative to amount of debt and the cost to collect the debt.

Down Home Loan, software tracks loans, escrow, and grants. New Loan, Grant and Escrow activity should be entered on a contemporaneous basis.

- On a annual basis, the total balance due and escrow amounts are reconciled with the general ledger
- On an annual basis, the Receivable account and Deferred Revenue account should be reconciled and the funds from the loan satisfactions should be recognized as income in account Loan Repayment.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

ESCROW FUNDS

When there is a need for additional funds to complete a project, the borrower may be asked to remit to the Agency funds for safekeeping.

When funds are received for future payment for a specific project, they are sent by the Agency to the Town for deposit in the Escrow Cash account.

The Agency only issues checks from the Lump Sum cash account, so when the escrow funds for a project are to be released, there must be a transfer of funds back to the Lump Sum account.

When the claim voucher for the borrower/contractor is approved, a wire transfer request should be prepared at the same time with the voucher as supporting backup.

The Down Home loan program used by the Agency has sufficient note space to track the receipt and disbursement of escrow funds. This information should be recorded and reconciled to the escrow accounts, periodically but not less than annually.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

PROGRAM INCOME

The Administrative Assistant prepares a monthly report of Program Income activity, which includes receipts and disbursements of the (Program Income) fund.

The report activity is reconciled to the general ledger by the Internal Accountant before it is signed by the Executive Director and sent to OCD.

The Internal Accountant compares the administrative expenditures made to the limit as a percent of allowable program income.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

CAPITAL ASSET MANAGEMENT

To meet its goal of community revitalization, the Agency must acquire properties in line with the Urban Renewal Plan as amended. The costs associated with the actual acquisitions are recorded on the program year acquisition lines. Some of these costs will be for properties that never transfer ownership to the Agency. See Real Property section.

The Agency purchases various furniture and office equipment. See Personal Property section.

The Executive Director can dispose of items that are fully depreciated or below the capitalization threshold when they become damaged or obsolete. Items that are not fully depreciated that no longer serve a purpose for the Agency will be reviewed for proper disposal, in accordance with applicable laws and program guidelines.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

REAL PROPERTY

The Agency will track the Acquisition costs by individual property from the various program year Acquisition expense lines on cumulative spreadsheets.

Costs that are allocable to multiple properties must be analyzed via spreadsheets by vendor and then posted to the property spreadsheet additions.

The Agency holds property for development and does not record depreciation on any buildings or improvements on the property.

When a property is sold, the Sale Price and any miscellaneous fees received are credited to the revenue account in Program Income and the cumulative costs are deleted from the capital assets spreadsheet.

Reporting of activity is in accordance with the Authority Budget Office guidelines as necessary.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

PERSONAL PROPERTY

If an item purchased meets the Agency's capitalization threshold of \$2,500 then it will be capitalized on a separate spreadsheet and depreciated over five years on a straight-line basis.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

DEBT MANAGEMENT

The Agency does not issue long term debt obligations to the public, but may enter into borrowings with the Town for the up front financing of specific projects. See Due to Other Governments section.

Based upon employee contracts and agreements, the Agency is responsible for the payment of accumulated leave benefits that employees have earned but have not taken as of the end of the year. See Compensated Absences section.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

COMPENSATED ABSENCES and OTHER POSTEMPLOYMENT BENEFITS

The Agency accrues employee time according to contractual agreements. The Agency tracks time accrued and used by an individual employee on a separate spreadsheet. The employee must submit a leave request form when taking time off.

To ensure that the Agency has an accurate accounting of leave balances, each employee is given a summary of their balance as of December 31.

For financial statements, the value of the leave benefits that the employee may take at separation is recorded in the government wide report under GASB 34. The balances from the Agency spreadsheet are multiplied by the employee's pay rate at December 31. The detail of accruals and used time will also be reported.

The Agency uses an on-line Actuarial software to process its' GASB 45 accrual liability analysis, because it qualifies for the small agency exemption.

The Agency obtains the relevant data and provides it to the Internal Accountant who utilizes the GASB Help software. Reports and underlying assumptions are produced for audit by the Agency's external auditor.

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY**

DUE TO OTHER GOVERNMENTS

The Agency records loans to the Town as per the terms of the notes signed. Interest is accrued for financial statements only when the terms of the notes clearly indicate.