

**HOUSING AUTHORITY
OF THE
CHEROKEE NATION**

**CASH MANAGEMENT AND
INVESTMENT OF FUNDS
POLICY**

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Board of Commissioners
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Housing Authority of the Cherokee Nation Cash Management and Investment of Funds Policy

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Housing Authority of the Cherokee Nation Cash Management and Investment of Funds Policy

Section 1: Purpose

The purpose of this policy is to provide a method for the Housing Authority of the Cherokee Nation (HACN) to provide for adequate safeguards of all grants and sub-grant cash, govern cash management and investments according to regulatory requirements (i.e. 24 CFR Part 85, 24 CFR 1000.58) and sound business principles.

Section 2: General Depository Agreement

The HACN shall deposit and invest NAHASDA funds in accordance with the HUD Administrative Requirements for Investing Indian Housing Block Grant Funds, which limits investments from grant funds to no more than five years. Non-NAHASDA funds will be treated the same as NAHASDA funds with the exception of the five year maximum investment requirement. The General Depository Agreement (Form HUD-52736-A) must be in a form approved by HUD and executed between the HACN and the depository agency. The HACN will also invest General Fund (program) monies only in HUD approved investments. The depository must be a financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF). The HACN and the financial institution should each maintain an original HUD-52736-A.

Section 3: Selection of Banking Services

To ensure that the HACN receives the banking services provided at the lowest cost, banking services shall be arranged by selecting a bank through competitive solicitation according to the HACN procurement policies. Banking services will be periodically solicited through competitive negotiation. The solicitation in the form of a Request for Proposals according to the procurement policies will allow the HACN to evaluate quality and price for services.

The HACN will designate a single bank account for deposit of all payments that are received from HUD through Direct Deposit-Electronic Transfer (DD-EFT). A Standard Form 1199A, Direct Deposit Sign-Up Form must be submitted to HUD to designate the account. A copy of the General Depository Agreement with the financial institution shall be attached with the SF-1199A. Once the funds are received, they may be transferred to separate accounts according to the applicable program and HACN policies and procedures.

Other funds such as proceeds of sale, non-program income, and program income may be deposited directly into a general operating account for operational purposes.

Section 4: Collateralization of Deposits

All depositories will be required to continuously and fully (100%) secure all deposits regardless of type, i.e. regular, savings, etc. that are in excess of the \$100,000 insured amount. This may be accomplished by pledging or setting aside collateral of identifiable U.S. government securities prescribed by HUD. Specific authority shall be contained in the agreement permitting HUD to exercise its rights pursuant to 24 CFR 1000.60 for any NAHASDA required bank accounts.

Section 5: Funds Available for Investment

- a. Funds on deposit in the General Fund are comprised of four components: (1) funds for current transactions purposes, (2) funds exceeding those necessary for the daily operation of the HACN that are considered available for investment, (3) any deposit account funds, MEPA funds, Proceeds of Sale Funds, and (4) NAHASDA funds drawn down for investment purposes in accordance with 25 CFR 1000.58. As a general rule, the average amount on deposit in the General Fund cash accounts (the target maximum cash balance) should be the amount needed on hand for transaction purposes or as a safeguard against cash shortages.

The term “cash management” also means minimizing the time elapsing between the drawdown and disbursement of NAHASDA funds by the HACN. HUD has established the **maximum time** to be generally three working days.

Section 6: Approved Investment Securities and Procedures

The HACN shall utilize the following procedures to maintain proper internal controls to assist in management of its investments and preventing losses.

- a. Maturities. Purchases of securities shall have maturities, which coincide with expected disbursement by the HACN. For the purpose of investing NAHASDA Grant funds, uses shall be limited to maturities of five years or less.
- b. Non-NAHASDA funds can be invested longer than five years in accordance with overall projected cash needs.
- c. HUD Approved Investments. The HACN will invest NAHASDA funds according to 24 CFR 1000.58. Non-NAHASDA funds will be invested according to 24 CFR 1000.58 with the exception of the five year maximum investment requirement. The choice of investments from the approved list should be made using the criteria in this policy.
- d. Authorization. The Board of Commissioners of the HACN hereby authorizes the investment of funds by the Executive Director, and this task is delegated to the Finance Department, in accordance with the above stated requirements.
- e. Safe Keeping Procedures of Investment Documents. The Executive Director or designee shall negotiate and sign all original investment documents. These original investment documents shall be secured by the HACN as with other important records, when original investment documents are actually available in accordance with the type of investment. It shall be the responsibility of the Finance Director to ensure the placement of all investment documents is securely maintained immediately upon the purchase of any

investments, when physically received. The Finance Director and Executive Director shall maintain copies of these documents within their operating files. The Finance Department shall maintain an investment ledger or other record in which all investments and interest earned is recorded. This ledger or record shall be included in the “audited” records of the HACN.

- f. Maintenance of Investments in a Custodial or Trust Account. The Board of Commissioners may approve the maintenance of investments in a custodian or trust account, as required or on an as needed basis. Custodians or trusts shall be secured utilizing the procurement policies of the HACN.
- g. Investments Made Only in the Name of the HACN. All investments shall be made in the name of the “Housing Authority of the Cherokee Nation.”
- h. Accounting for all Interest Earned. Interest as earned, posted, and made available for use to the HACN shall be posted within 30 working days to the investment account(s). Investment income, which shall be included in budgets/plans for use for HACN activities as earned and made available to the HACN, shall, within 30 working days, be posted to the appropriate program/budget accounts.
- i. Periodic Reconciliation. The Finance Department shall be responsible for the monthly reconciliation of investments and interest in the HACN investment ledger or records. This reconciliation shall consist of the review of all investment documents on hand and interest received with the HACN investment ledger. The Auditor of the HACN will also be responsible to verify the reconciliation of the investment ledger or records during its annual audit.
- j. Maintenance of Maturity Schedule. The Finance Department shall maintain a maturity schedule for all investments, which evidences that all investments will mature on the approximate dates the funds will be needed and that investment maturity dates do not exceed five years for NAHASDA funds. The Maturity Schedule will be provided to the Executive Director for review on a monthly basis and will be provided to the HACN Board of Commissioners on an annual basis, with the annual report of the HACN.
- k. Determination of Investment Type. The determination of the best types and mixtures of investments is dependent on several factors. The primary objective is safety. Once that objective is obtained, the optimum return on the investment should be consistent with the goals of the cash management program of the HACN. The factors that should be taken into account include the following:
 1. Safety. Safety is achieved through the HACN’s adherence to the list of permitted investments authorized by the current HUD Notices, which are backed by the full faith and credit of, or a guarantee of principal and interest by, the U.S. Government, a Government agency or issued by a Government-sponsored agency, coupled with an appropriate maturity date.
 2. Yield. The HACN should strive to achieve the highest yield consistent with the other factors of the investment policy.
 3. Liquidity. All investments must be capable of being liquidated on one week’s notice. Therefore, no investments may be made which would impose a longer notice period or redemption or which are not readily marketable.
 4. Maturity. Investments should be scheduled to mature when the funds are needed. Investments shall be limited to securities maturing in periods of five years for NAHASDA funds, or such lesser period that coincides with expected

disbursements by the HACN. Other available funds may be invested for longer periods in accordance with expected requirements of the use of the funds.

5. Administrative Costs. In choosing an investment, the HACN must consider the administrative work involved, particularly with regard to investments of short duration. Substantial amounts can be invested for periods as short as one or two days. However, the administrative costs with small amounts may be greater than the return on the investment, thus would not be justified. Administrative costs will be higher with a more frequent turnover of investments and must be taken into account together with the yield and term in determining the optimum investment strategy.

Section 7: Investment Register

An investment register shall be maintained by the HACN Finance Department. The register shall record the amount of investment securities purchased and provide a description of the investment, date of purchase, purchase price, interest rate, and applicable date of sale or maturity and will identify the initial source of funds (security deposit funds, proceeds of sale funds, MEPA funds, NAHASDA funds for investment purposes, etc.).

Section 8: Cash Management

a. By the Housing Authority

Generally, if the HACN has the capability to manage its own investment program and achieve a good return on its investments, then it should manage them internally.

However, periodically the HACN should compare the return from an in-house cash management program with a program managed by an agent. If the HACN finds that administrative costs of an in-house program are such that the net yield on investments is less than obtainable through an alternative, the general rule is that the HACN should use that alternative.

b. By an Agent

As an alternative to an in-house cash management program, the HACN may enter into a contract within approved governmental unit such as a State agency established for this purpose or another Housing Authority, or a financial institution (excluding investment bankers and brokerage houses) to administer its cash management program. Such a program may include any of the functions of cash management, i.e., receipts, disbursements and investments. All designations of agents will be completed by Board action and recorded in the meeting minutes.