

OSLH Resolution 2007-14

- Investment & Financial Management -

7 pages

OGLALA SIOUX (LAKOTA) HOUSING POLICY

(Summary Sheet)

Title of this Policy (see attachment): Investment & Financial Management

Date this Policy is Adopted: December 6, 2007

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POLICIES: Oglala Sioux (Lakota) Housing and its Board of Directors have adopted a series of *Policies* that establish basic requirements for its programs. The OSLH Board, employees, sub-grantees and sometimes OSLH contractors are required to adhere and conform to these Policies and requirements. Listed below are OSLH's current Policies, with the Policy attached to this sheet denoted with a checked box. OSLH actions, programs and decisions must conform to this and the other OSLH Policies. Though OSLH Policies are divided into topics, please note that often requirements governing particular OSLH actions are contained in more than one Policy.

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| <input type="checkbox"/> Admissions & Eligibility Policy | <input type="checkbox"/> Maintenance & Asset Management Policy |
| <input type="checkbox"/> Participant Grievance Policy | <input checked="" type="checkbox"/> Investment & Financial Management Policy |
| <input type="checkbox"/> Personnel Policy | <input type="checkbox"/> Ethical Standards of Conduct Policy |
| <input type="checkbox"/> Procurement Policy | <input type="checkbox"/> Policy Definitions |
| <input type="checkbox"/> Program Administration & Occupancy Policy | |

RULES: Oglala Sioux (Lakota) Housing also has adopted a series of *Rules* that contain additional requirements. These are established through a formal process with OSLH's Chief Executive Officer officially adopting them. The Rules provide more detailed requirements for OSLH actions, programs and decisions. No Rule, however, can violate or contradict any OSLH Policies. The OSLH Board, employees, sub-grantees and sometimes OSLH contractors are required to adhere to and conform to these Rules and requirements.

PROCEDURES: In establishing organizational requirements, Oglala Sioux (Lakota) Housing has a third level of requirements known as *Procedures*. These are specific written procedures that from time-to-time are developed by OSLH's staff and are officially adopted by OSLH's Chief Executive Officer. OSLH employees are required to adhere and conform to these Procedures. These Procedures, however, cannot violate any OSLH Policy or OSLH Rule.

Attach to Policy

INVESTMENT AND FINANCIAL MANAGEMENT POLICY OGLALA SIOUX (LAKOTA) HOUSING

Adopted by Resolution 2007-14 on December 6, 2007

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I. STATEMENT OF PURPOSE

This Policy is intended to standardize financial management procedures. The Policy provides a comprehensive statement of policy and activities which will be used as the criteria for governing the investment of Oglala Sioux (Lakota) Housing ("OSLH") funds, including but not limited to Indian Housing Block Grant ("IHBG") funds, and cash management. OSLH receives substantial funding from the U.S. Department of Housing and Urban Development ("HUD"). Accompanying that funding is a set of financial management, internal controls, and investment requirements. OSLH shall follow those HUD grant requirements and this Policy, and other related OSLH Rules and Procedures shall reflect them as well. In order to standardize the requirements for all of its programs, projects, and operations, this Policy shall also apply to non-HUD funds. This Policy supercedes and rescinds all previous financial and investment policies and practices.

II. INTERNAL CASH CONTROL

A. Internal Cash Control Procedures. The Chief Financial Officer (“CFO”), under supervision and approval of the CEO, shall cause to be developed and shall maintain a system of written internal cash control Rules and Procedures for day-to-day operations in compliance with this Policy, which Rules and Procedures shall be reviewed and tested by an independent auditor at least annually or upon any extraordinary event, *e.g.*, turnover of key personnel or discovery of any inappropriate activity. The OSLH Board shall monitor for compliance.

B. General Disbursements.

1. All orders and checks for the payment of money shall be signed by the Assistant CEO, and the pay out and disbursement of such monies shall occur under the direction of the Assistant CEO. The CEO may also sign checks as well as designate up to four (4) OSLH full-time staff members who, in the Assistant CEO’s absence, shall be authorized to sign orders and checks for the payment of monies.

2. All disbursements, including the purchase of Certificates of Deposit and transfers from the checking account to the savings or investment accounts, may be made by check, cash, or other instrument, including but not limited to electronic transfer.

3. No single employee shall be in complete control of all aspects of disbursement transactions.

4. Bank statements shall be reconciled by an employee who has no duties relating to receiving or disbursing cash or maintaining cash records.

C. Accounting Method and Cash Management. OSLH shall comply with all required legal provisions and shall use a commonly accepted and recognized form of general accounting principles. Such accounting principles are those contained in the pronouncements of authoritative bodies including, but not necessarily limited to the American Institute of Certified Public Accountants; the Financial Accounting Standards Board; and the Government Accounting Standards Board.

D. Banking Services. Banking services may be periodically solicited through competitive procurement. The solicitation in the form of a request for proposal would permit OSLH to evaluate the quality of services received as well as the price. Such periodic process may prevent the bank from becoming complacent in its dealings with OSLH; however, OSLH should always keep in mind and weigh the value of a long-term banking relationship, and the stability, mutual respect, and cooperation that results from such a relationship.

III. INVESTMENTS

A. **Objectives.** The investment objectives are:

1. preservation of capital and the protection of principal;
2. maintenance of sufficient liquidity to meet operating requirements;
3. avoidance of imprudent credit, market, or speculative risk; and
4. attainment of a market rate of return throughout all economic and fiscal cycles.

B. **Delegation of Authority.** The CEO is the designated investment officer of OSLH and is responsible for investment decisions, subject to the approval of the Board, which approval shall be documented in the Board minutes. The CEO is responsible for setting investment policy and criteria. The Board shall be advised of said policy and criteria and have the opportunity to object or make changes to them prior to implementation. Further, the CEO shall be responsible for the day-to-day operations of the investment process which include, but are not limited to, placing the buy/sell orders, producing necessary reports, and supervising staff, provided, however, that the CEO shall keep the Board informed of the status of the investment portfolio through quarterly reports.

In addition to the active management of the investment portfolio, the CEO, with the assistance of the CFO, is responsible for the maintenance of other written administrative procedures, including, but not limited to internal investment controls and internal cash controls, consistent with this policy and subject to applicable law.

C. **Prudence.** The standard of prudence to be used by the CEO and the Board in managing the financial resources of OSLH shall be the prudent investor rule:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

The CEO and OSLH staff, acting in accordance with written Rules and Procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity, as long as such deviations and losses are reported as soon as practical and action is taken to control adverse impacts.

D. Safekeeping and Collateralization. Any portion of OSLH funds not insured by a federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable securities prescribed by HUD. Such securities shall be pledged and set aside in accordance with applicable law or federal regulations. Investment documents shall be kept in a locked, fireproof safe.

An independent custodian or an independent third party must have possession of the securities on behalf of OSLH as trustee (evidenced by safe keeping receipt and a written bailment contract) for the full term of deposit. The trustee shall not be a member of the OSLH Finance Office Staff or any contract Bookkeeper or Fee Accountant. Other securities, when prescribed by HUD or other OSLH funding sources, as collateral shall be in United States bonds and otherwise as may be prescribed for public funds by the United States Secretary of the Treasury.

E. Accounting Method and Cash Management. In relation to investment, OSLH shall comply with all required legal provisions and shall use a commonly accepted and recognized form of accounting principles. Such accounting principles are those contained in the pronouncements of authoritative bodies including, but not necessarily limited to the American Institute of Certified Public Accountants; the Financial Accounting Standards Board; and the Government Accounting Standards Board.

1. OSLH shall monitor the flow of cash in accordance with the internal cash control procedures. Funds identified as being in excess of current needs may be invested in HUD-approved securities and for such periods selected by the CEO and approved by the Board to achieve the objectives contained in this Policy. HUD funds, however, may only be invested as allowed by 24 C.F.R. § 1000, *et seq.*
2. The OSLH CFO or, at the CFO's delegation the OSLH Senior Accountant, shall maintain an investment ledger that details each investment transaction made by the CEO. This ledger shall be available for review to the CEO and the Board upon demand at any time. The ledger shall be routinely reviewed by the Board at least quarterly.
3. The OSLH CFO or, at the CFO's delegation the OSLH Senior Accountant, shall post all interest earned on investments in the investment ledger. He or she shall ensure that the correct amount of interest is collected, recorded, and credited to the appropriate accounts.
4. The CEO, with assistance of the CFO, shall reconcile the investment ledger to bank or other depository statements quarterly. Reconciliation reports shall be generated quarterly and given to the Board for review.

F. Internal Controls. The CFO, under supervision of the CEO, shall maintain a system of written internal controls for investment management, which shall be reviewed and tested by

an independent auditor at least annually or upon any extraordinary event, *e.g.*, turnover of key personnel or discovery of any inappropriate activity.

G. Reporting Requirements. With the assistance of the Chief Financial Officer, the CEO shall generate at least quarterly reports for management purposes, or more frequently as the Board requires. In addition, the CEO shall submit to the Board quarterly, or more frequently as the Board may require, reports that shall include, but not necessarily be limited to, portfolio activity, instruments held, market valuation, and any narrative necessary for adequate clarification.

H. Investment Requirements.

1. Qualified Investments.

a. OSLH shall invest funds derived from federal sources only in:

(1) obligations of the United States; obligations issued by government-sponsored agencies; securities that are guaranteed or insured by the United States; mutual (or other) funds registered with the Securities and Exchange Commission and which invest only in obligations of the United States or securities that are guaranteed or insured by the United States; or

(2) accounts that are insured by an agency or instrumentality of the United States or that are fully collateralized to ensure protection of the funds, even in the event of bank failure.

b. OSLH shall make investments in its name only.

2. Monitoring and Adjusting the Portfolio. The CFO, under supervision of the CEO, shall routinely monitor the contents of the portfolio, comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. The portfolio may be adjusted accordingly with quarterly reports to the CEO and Board, or more frequently if the CEO or Board so requires.

3. IHBG Funds. Any HUD IHBG funds shall be held in one or more accounts separate from the other funds of OSLH. As required by 24 C.F.R. § 1000.58 for certain HUD funds, all investments of IHBG funds shall be subject to an executed Depository Agreement, form HUD-52736, which may be agreed to by the CEO. A copy of each Agreement will be sent to HUD so long as OSLH has HUD IHBG funds. Investments of IHBG funds may be maintained in custodian or trust accounts.

Other than HUD-approved IHBG replacement reserves, OSLH shall not directly invest IHBG funds in securities for periods exceeding two years. The CEO shall

maintain a maturity schedule evidencing that the IHBG investments will mature on the approximate dates the funds will be needed and/or that investment period dates do not exceed two years.

4. Investment Controls. The CEO shall maintain a system of written investment controls, which shall be reviewed and tested by an independent auditor at least annually or upon any extraordinary event, *e.g.*, turnover of key personnel or discovery of any inappropriate activity.

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