

**CHICAGO HOUSING AUTHORITY
GENERAL BUSINESS EXPENSE POLICY**

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CHA GENERAL BUSINESS EXPENSE POLICY

I. FEDERAL AND NON-FEDERAL GUIDELINES

Federal Programs and Awards

CHA receives Federal funding generally from programs it administers under an Annual Contributions Contract (ACC) or from grant awards. Grant awards can be formula grants awarded annually by virtue of the Federal programs CHA administers or grants can be competitively awarded. Grants are administered under grant agreements that specify the use of the grant awards. CHA must comply with other Federal requirements on appropriateness of use such as OMB Circular A-87 and the common rule found in 24 CFR Part 85.

Program Income

Program Income:

“Program income” means gross income received by the grantee or sub-grantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period, 24 CFR 85.25(b). “During the grant period” is the time between the effective date of the award and the ending date of the award reflected in the final financial report, 24 CFR 85.25(b). Program income includes income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds. Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them. *(Interest earned on federal grant funds will be recorded at the program level and used in accordance with the program’s guidelines.)*

Program income shall be deducted from outlays which may be both Federal and non-Federal, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives), 24 CFR 85.25(g).

CHA will use its Program Income in accordance with any program income certifications it has signed or in the program from which the program income was earned. In the event the Federal award (grant) is closed and program income remains, CHA will use the program income for low income housing purposes or in compliance with program income certifications that survive after the grant period. The following items are considered program income and carry a restricted use.

1. Developer Fees and Other Fees associated with Development
2. Lease Proceeds on Land
3. Principal and Interest Repayment on Loans Made with Federal Funds
4. Laundry Income at Public Housing Properties
5. Rooftop Leases on Public Housing Properties

Disposition of Property with Federal Restrictions

Real Estate - When real property is no longer needed for the originally authorized purpose, CHA may dispose of the real estate by asking approval from HUD, 24 CFR 85.31. Generally, the disposition application specifies the restrictions on use of the proceeds from the sale of real property under an ACC with HUD.

Disposition of Equipment and Furniture

CHA disposes of equipment and furniture periodically when determined in the best interest of the agency in administering its Federal programs. Items of equipment and furniture originally purchased with Federal funds with a current per unit fair market value in excess of \$5,000 may be retained or sold and the proceeds will be used in the Federal program from which they were purchased, 24 CFR 85.32(e)(2).

Unrestricted (Non-Federal) Funds

Chicago Housing Authority (CHA) earns revenue from sources that are not restricted by Federal, State or City requirements as to use. These funds may or may not be earned from administering Federal programs. Funds earned from administering Federal programs in this category have been expressly ruled to be non-Federal funds by HUD. The following list of funds is unrestricted non-federal funds and are not limited by any Federal, State or City requirements for use:

- 1. Fees Earned Administering Programs** – CHA may earn management fees, bookkeeping fees, asset management fees and fees for service as described in a Local Asset Management Program. These fees can be earned for managing properties under a Low Income Program ACC, administering Housing Choice Vouchers and administering a Development program using various grants. HUD has expressly stated such fees are non-Federal funds in CHA’s MTW Agreement.
- 2. Operating and Lease Proceeds from non Federal Assets** – CHA may earn funds by operating and/or leasing properties owned outside of any Federal programs. The funds are considered unrestricted and are not limited by any Federal, State or City requirements for use.
- 3. Insurance Proceeds** – Insurance proceeds earned from claims are considered to be unrestricted and are not limited by Federal, State or City requirement for use.
- 4. Disposition of Property without Federal Restrictions** – CHA may dispose of property or equipment purchased with unrestricted (non-Federal) funds. The proceeds of which are unrestricted funds and are not limited by any Federal, State or City requirements for use.
- 5. Equipment and Furniture** - CHA disposes of equipment and furniture periodically when determined in the best interest of the agency in administering its Federal programs. Items of equipment and furniture originally purchased with Federal funds with a current per unit fair market value less than \$5,000 may be retained or sold and otherwise disposed of with no further obligation to HUD or the Federal program. Therefore, such proceeds are Unrestricted (Non-Federal) Funds and do not carry any Federal, State or City restrictions as to use. Proceeds from the sale of equipment and

furniture originally purchased with Unrestricted (Non-Federal) Funds remain Unrestricted (Non-Federal).

6. **Interest** – Interest earned on non-federal funds will be recorded as unrestricted non-federal funds and are not limited by any Federal, State or City requirements for use.
7. **Rebates, credits, discounts, refunds** – Should CHA earn any rebates, credits, discounts or refunds involving any program it administers (including Federal programs) those proceeds will be considered unrestricted and are not limited by any Federal, State or City requirement for use.

II. ALLOWABLE AND NON-ALLOWABLE EXPENDITURES

The following Sections provide guidance on the allowability or unallowability of certain items of cost for CHA. These principles apply whether a cost is charged to Federal or non-Federal funds. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in this Policy. **Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable. In such cases, employees should seek guidance from the CFO on the acceptability of cost items.**

1. **Advertising.** The term “advertising costs” means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like. The only allowable advertising costs are those which are solely for:

- (1) The recruitment of personnel required for the performance by the governmental unit of obligations arising under a Federal award ;
- (2) The procurement of goods and services for the performance of a Federal award;
- (3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when governmental units are reimbursed for disposal costs at a predetermined amount; or
- (4) Other specific purposes necessary to meet the requirements of the Federal award if charged to Federal sources.

2. **Advisory councils.** Costs incurred by advisory councils or committees are allowable as costs to charge against Federal awards only to the extent the costs incurred by the Advisory Council relates to specific Federal programs.

3. **Alcoholic beverages.** Costs of alcoholic beverages are **unallowable** at CHA and may not be charged to Federal or non-Federal funds. Any employee incurring such charges must immediately reimburse CHA for the full cost of the alcoholic beverages.

4. **Audit costs and related services.** The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States,

Local Governments, and Non-Profit Organizations" are allowable to be charged to Federal and non-Federal programs. Other audit costs are allowable as they are part of the reasonable and customary practice for CHA.

5. Communication. Costs incurred for telephone services, local and long distance telephone calls, cell phones assigned to key personnel, postage, messenger, electronic or computer transmittal services and the like are allowable to be charged to Federal and non-Federal funds.

6. Donations and contributions. Contributions or donations, including cash, property, and services, made by CHA, regardless of the recipient, are expenses not allowed to be charged to Federal programs and must be charged to non-Federal funds. Such costs must be approved by the CEO.

7. Employee Morale. It is CHA's established business practice to seek to improve the working conditions of the CHA operations to encourage a high degree of employee performance. CHA may choose to provide employee service events to maintain or increase employee morale on an as needed basis, but such costs are not allowable unless a specific waiver is obtained. With said waiver, the CEO or designee has discretion in administering such activities.

This policy is intended to cover business related costs and should not be used to justify incurring personal costs for strictly entertainment purposes. Personal costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are **unallowable** for charges to Federal and non-Federal funds. Refer to the City-Wide Reimbursement Policy adopted by CHA in July 2011 to determine what costs are not allowed under any circumstances, and those that require a waiver before incurring the cost.

8. Fines and penalties. Fines, penalties, or damages arising out of violations (or alleged violations) CHA's or its employees failure to comply with, Federal, State, or local laws and regulations are **unallowable** costs and may not be charged against Federal funds, except when such fines, penalties or damages are incurred as a result of CHA's compliance with specific provisions of a Federal award (e.g. a fine levied against the CHA in housing court for failure to demolish a building because HUD had not yet granted permission to CHA to demolish the building), or written instructions by the awarding agency authorizing in advance such payments. CHA may use its non-Federal funds to pay such costs in unusual circumstances, and such charges must be approved by the CEO and CFO.

9. Fund raising. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are **unallowable** for Federal funds, regardless of the purpose for which the funds will be used.

10. Goods or services for personal use. Costs of goods or services purchased for personal use of the governmental unit's employees are **unallowable** costs and may not be charged to Federal or non-Federal funds regardless of whether the cost is reported as taxable income to the employees.

11. Lobbying. CHA officials are not allowed to use CHA resources to engage in lobbying at any level of government. Generally, the cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost for Federal

awards. Executive lobbying costs are those costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branches of the Federal, State or Local Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are **unallowable** for Federal and non-Federal funds. Improper influence means any influence that induces or tends to induce a Government employee or officer to give consideration or to act regarding a Government sponsored agreement or regulatory matter on any basis other than the merits of the matter.

12. Meetings and Conferences. CHA employees periodically attend training meetings and conferences hosted by third parties as part of the normal conduct of business, the primary purpose of which is to exchange technical information, maintain business relationships, and otherwise conduct the business of the Agency as part of normal operations. Training meetings and conferences are very common and CHA encourages its employees to attend such events when they relate to the employee's job function and it is in the best interest of CHA for the employee to attend. Conferences include events hosted by industry groups, specialized technical groups, and local business conferences where CHA provides or receives information critical to its business. Costs associated with such meetings and conferences may include costs of meals, transportation, and lodging and other incidental items and will be covered by CHA as a general business expense.

CHA hosts meetings and conferences, which include industry group meetings and real estate/landlord-owner group symposiums and other local stakeholder discussions relating to the Housing Choice Voucher Program. Costs associated with these meetings and conferences may include rental of facilities, meals, speakers' fees, and other items incidental to such meetings or conferences.

The CHA's Board of Commissioners holds regular meetings, the purpose of which is to bring the Commissioners together to determine policies and resolutions of the CHA. The Board approves decisions that chart the direction of current and future programs and authorizes the actions of the Chief Executive Officer and his designees. Meals and/or refreshments costs associated with these meetings will be an allowable expenditure.

Costs of meals and/or refreshments associated with local resident and landlord events/ meetings/forums will be an allowable reimbursement when paid directly to a vendor but not to an individual. These costs may include providing meals and/or refreshments for volunteers and staff who participate in the administration of the event.

13. Memberships, subscriptions, and professional activity - CHA will participate in various organizations as part of its normal operating environment. Costs of CHA's memberships in business, technical, and professional organizations are allowable to be charged to Federal and non-Federal funds. In many cases, CHA will incur costs for subscriptions to business, professional, and technical periodicals, which are allowable to charge to Federal and non-Federal sources. In limited cases, CHA may find it necessary to participate in civic and community, social organizations to effectively carry out its business. Costs to participate in such organizations are allowable to charge to Federal and non-Federal funds. However, the costs of membership in organizations substantially engaged in lobbying are not allowed.

The cost to obtain or maintain professional or trade licenses by CHA employees, that are required for employment, is an unallowable reimbursement expenditure (*unless expressly stated in a bargaining agreement or approved in advance by the CFO or the City Comptroller*).

14. Professional Services. CHA will engage certain professionals in the normal course of its business. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable to charge to Federal and non-Federal funds to the extent they are reasonable in relation to the services rendered.

15. Public Relations. The term public relations includes community relations and means those activities dedicated to maintaining the image of CHA or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. Public relations costs are allowable to charge to Federal and non-Federal funds.

16. Training. The cost of training provided for employee development is allowable for Federal and non-Federal funds. Costs associated with training meetings and conferences where training is provided include costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences will be covered by CHA in its travel or training budget for each department. The Department Director will approve such costs on an as needed basis. Employees can refer to the Employee Handbook on additional information on Training.

17. Travel. CHA expects to incur travel costs for employees traveling on office business. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip. The specific application of CHA's travel policies can be found in the Employee Travel Policy adjusted to meet the requirements of the CHA board approved City-Wide Reimbursement Policy.

(1) Local Travel – CHA may require its employees to incur local travel costs in performing their assigned duties. Generally, CHA will cover the costs of local transportation, but does not allow for meals or lodging for local travel.

(2) Out-of-Town Travel – An American Express Travel Charge Account for airfare is available for the purchase of transportation when traveling on CHA business. Hotel accommodations may be secured using the American Express Travel Charge Account as necessary. A cash travel advance, as supported by the appropriate documentation and approvals, will be paid to employees for hotel accommodations as well as calculated per diem amounts.

(3) If travel is conducted within the 50 mile Chicago Metropolitan Area, meals will not be reimbursable.

III. ELIGIBLE AND NON-ELIGIBLE EMPLOYEE REIMBURSEMENT

Employees are required to sign an Acknowledgement Agreement (*see attached document*) indicating that they accept the terms of the Employee Reimbursement Policy. Failure to sign this agreement will make the employee accountable for any questionable expenditures and subject the employee to disciplinary action up to and including termination of employment.

Employees must submit a completed, signed Expense Reimbursement form and the supporting documentation for the allowable business expenditures within 30 days of purchase to his/her manager for approval (*prior to submission for payment*). Employees shall substantiate each expenditure by submitting the following supporting documentation:

- Original receipts, which include vendor name, date of purchase, individual items itemized with exact dollar amounts (*no copies*).
- Employee signature (*either hard copy or electronically*), which also acknowledges the business appropriateness of the expenditure.

If original receipts and/or supporting documentation is unavailable (one occurrence per year), the employee must provide a written explanation stating the reason the original is unavailable.

Unallowable Types of Expenditures. Below is a listing of expenditures that are not considered appropriate when conducting CHA business. This listing is not intended to be exhaustive. If in doubt about a potential expenditure, please discuss with the CFO or CEO. If the CHA believes that a certain type of expenditure is absolutely critical, prior written approval from the City Comptroller will be required and is to be included with the supporting documentation for reimbursement.

Unallowable Expenditure Types

- Local business meals (*within the 50-mile Chicago Metropolitan Area*)**
- Refreshments/Food for meetings not associated with resident driven meetings/forums
- Gifts/Flowers/Gift Cards
- Alcoholic Beverage/Tobacco Products/Controlled Substances
- Personal items
- Sponsorships/Donations **
- Entertainment/Recreational Activities
- Appliances (*e.g. microwaves, refrigerators, coffee makers*)**
- Kitchen Textiles (*e.g. napkins, cups, utensils used in break rooms*)
- Office décor items
- Traffic citations/Parking violations/ Fines & Penalties
- Sporting Goods
- Car Washes
- Cash Advances, which are not related to approved, out-of-town travel and per diem costs
- Capital Equipment/Construction
- Software and Related Licensing Agreements **
- Professional or Trade Licenses required for employment (*unless expressly stated in a bargaining agreement or approved in advance by the CFO or City Comptroller*)
- Supplies and Materials (*for which we have a contract to purchase*)
- Any other item deemed inappropriate/unnecessary for conducting CHA business

****** *These items are not allowable for employees but organizationally are allowable as long as they are properly documented within CHA policy and carries the appropriate level of approval.*

The City-Wide Reimbursement Policy adopted by CHA governs allowable costs, and a waiver is required for any cost prohibited in the Policy. Pursuant to a waiver, the Department Director will approve such costs on an as needed basis.

Limits on individual expenditures. No individual purchases are allowed for over \$250 without pre-approval by the CFO or CEO.

Tax-Exempt Status. Every effort needs to be made to ensure that expenditures do not include sales tax.

IV. QUALITY ASSURANCE AND MONITORING

The review process for employee reimbursements will be done at multiple levels to ensure policy compliance. The initial review will be done by the employee's Manager at the time the employee submits the request for reimbursement. Prior to processing payment, Accounts Payable will perform a review to ensure the appropriate documentation and authorization is provided.

Additionally, the Finance Department will perform periodic, random analytical reviews relating to expenditure type and dollar amounts on an Authority-Wide basis. This analytical review will be the basis for additional testing performed by the Internal Audit Department.

V. CREDIT CARDS/PROCUREMENT CARDS

Credit cards or procurement cards will not be issued to Authority employees. Purchases made on behalf of the Authority by employees will be reimbursed through the expense report process.

VI. PETTY CASH

Petty cash funds (*including contingency funds*) are not allowed. Larger expenses should be processed through normal procurement channels and, if necessary, small expenditures can be submitted for payment through the Employee Reimbursement process. If a department believes that a petty cash fund is absolutely critical, the CFO will evaluate the need and decide accordingly. If a petty cash fund is deemed necessary, the following policies will be followed:

- Limit the amount of cash that may be held in an office at any given time;
- Develop clear guidelines for the physical security of the cash;
- Prohibit petty cash bank accounts;
- Limit the number of individuals who have the authority to make payments from the petty cash fund;
- Develop per-transaction limits for expenses that may be reimbursed from petty cash funds; and
- Conduct unannounced cash counts and voucher audits.

VII. TUITION REIMBURSEMENT

Tuition reimbursement is an allowable cost.

VIII. TRAINING

All CHA employees shall undergo training regarding the City-Wide Employee Reimbursement Policy, the new General Expense Policy and the revised Travel Guidelines/Policy.

**ACKNOWLEDGEMENT OF RECEIPT OF
EMPLOYEE REIMBURSEMENT POLICY**

I acknowledge that I have been given a copy of the Chicago Housing Authority's **Employee Reimbursement Policy**, that I have read it, and that I understand its terms and procedures, and have been given the opportunity to ask questions about it. I agree to abide by the Policy and understand that if the Chicago Housing Authority determines my conduct warrants it, I may be subject to discipline pursuant to this Policy, including the termination of my employment.

EMPLOYEE'S NAME (Please Print)

EMPLOYEE'S SIGNATURE

DATE

EMPLOYEE NUMBER / DEPARTMENT