Exhibit B – DCHFA Financial Management & Accounting Functional Requirements

**Overall Functionality:**
- Ability to process all transactions and provide detail of activity at an Agency-wide level, Fund-level, and Project-level.
- Ability to create customizable documentation for control processes, including the ability to use electronic approvals for journal entry posting, etc., while maintaining evidence of accountability.
- Ability to store Bond Indentures, Loan Agreements, HUD Agreements, and Specific requirements/documentation related to each fund and project.
- Ability to create schedules and reports from transaction detail, and tie them back to the trial balance.
- Ability to create system enforced controls like user- and role-based access restrictions, segregation of duties, approval limits, system records or activity logs, etc.
- Automated balancing and reconciliation at an Agency-wide level, Fund-level and Project-level.
- Ability to lock down and limit user’s ability to make changes to prior periods, and restrict who can add, modify, or delete accounts and accounting organization numbers.

**Cash Processing (Most Critical):**
- Ability to receive trustee and bank data electronically on a daily basis.
- Daily interface and monthly reconciliation of received data to Investment, Debt Service, General Ledger, and Loan Servicing Systems.
- Automated process of importing all bank account, credit card and other reoccurring transactions both prior day and same day if available to get the Agency cash position first thing in the morning.
- Smart bank reconciliation: automated Bank and General Ledger data matching and generation of exception reports as needed.
- Preparation of a fully balanced reconciliation report which satisfies the requirements of an external audit by public auditors and retains historical transactional data for matching and adjustments.
- Provide in-depth schedule of both cash receipts and cash disbursements for operating accounts.
- Ability to create a check register from any period.

**Investment Processing (Most Critical):**
- Ability to record investment purchases, transfers, and sales by series and funds from the electronic data provided by trustees and banks.
- Automated process of importing and posting investment transactions from the Agency Custodian/trustees or Broker accounts into Investment system.
- EDI of data input for changing interest rates, fair market values and ratings from trustees, banks and maturity dates.
- Automated calculation of premium/discount amortization by using Straight-Line and the Effective Interest Rate methods.
Automated calculations of accrued interest, capital gains and losses, unrealized gains and losses, average daily balance, duration and total returns.

Ability to automatically create accounting journal entries reflecting investment transaction activity: purchases, sales, maturities, income earned, interest/dividends received, change in Fair Market Value.

Preparation of all required reports including full-disclosure financial reports, earnings reports, asset reporting at book value, par value, market value, change in market value, maturity dates, ratings and other compliance reports.

Ability to generate a report showing the average maturities and net interest rate of investment by category.

**Mortgage-Backed Security Processing (Most Critical):**

- Ability to record MBS purchases, transfers, and sales by series and funds.
- Automated process of importing and posting MBS transactions from the Agency Custodian or Broker accounts into Investment system.
- Automated calculation of premium/discount amortization by using Straight-Line and the Effective Interest Rate methods.
- Automated calculations of accrued interest, capital gains and losses, unrealized gains and losses, average daily balance, duration and total returns.
- EDI of data input for fair market values and ratings from trustees and banks.
- Ability to automatically create accounting journal entries reflecting MBS transaction activity: purchases, sales, maturities, income earned, Principal and interest received, change in Fair Market Value.
- MBS amortization schedules should be generated by the system by using input data (initial principal amount, annual loan interest rate or MBS coupon rate, the term of the loan or MBS maturity date); all the received P&I payments should be automatically matched against existing MBS amortization schedules.
- Preparation of all required reports including full-disclosure financial reports, earnings reports, asset reporting at book value, par value, market value, change in market value, maturity dates, ratings and other compliance reports.
- Ability to generate a report showing the average maturities and net interest rate of MBS by category.

**McKinney Act Program loan processing (Most Critical):**

- Ability to automatically create accounting journal entries reflecting McKinney Act Program transaction activity: disbursements of McKinney funds to a borrower, prepayments and payoffs of loans, accrued interest on loans, P&I received; servicing and late fees received.
- Automated calculation of accrued interest on loans at the end of every month.
- McKinney Act Program loan amortization schedules should be generated by the system by using key inputs (initial principal amount, annual loan interest rate, the term of the loan) and loan provisions (interest-only loans for some period of time or interest-only loans with a balloon payment on a maturity date); all the received P&I payments should be reconciled against existing loan amortization schedules.
- For each processing cycle the system should be able to generate billing statements (P&I, servicing and late fees) and billing-payment history to borrowers.
- Default loans: allowance method for bad debt - principal or interest.
- Automatically allocate payroll for McKinney Act Employees.
- Ability to generate report showing delinquencies.

**Accounts Payable for Agency Operating Expenses (Most Critical):**
- Ability to create aged payables reconciliation.
- The master vendor list - the AP module should not only track individual payments but also provide us with an ongoing vendor transactional database and vendor reconciliation reports.
- System should track credit limits and prevent order entry if vendor has exceeded the established credit limit or is on credit-hold.
- Purchase order and invoice reconciliation: each payment record should be associated with the original purchase order and/or the vendor bill; the AP module should eliminate unauthorized or excess payments and duplicate payments by reconciling invoices and PO’s with the corresponding AP entry, preventing duplicate invoice numbers from being entered for the same vendor, and preventing payments from being posted against closed PO’s.
- Along with check payments the AP module should include support for ACH payments and wires.
- 1099 reporting: the AP module should allow us to flag non-payroll payments to non-corporate entities and create the necessary paperwork.
- Integration: the AP module should efficiently deliver the Payables Ledger information to the General Ledger and Cash Management systems; there has to be an interface between the AP module and the General Ledger and Cash Management systems to successfully export the data in the right format.
- All AP invoices and underlying documentation (contracts, purchase orders, vendor documentation, i.e. payment instructions, W-9s etc., voucher documents) shall be attachable to the expense line items electronically in PDF format for future reference and audit trail.
- Reporting: at a minimum level, we should be able to create reports based on expense type, due date, payment date, payment period, payment status, internal source of payment, and vendor.
- Ability to approve documents electronically through secure electronic signature.
- Ability to enforce segregation and prohibit individuals with ability to change the vendor master list from being able to initiate or make disbursements.

**Budgeting (Some Cash-based Accounts, Some Accrual) (Critical)**
- All AP expense line items, plus and including operating and capital expenses need to be selectable for budget purposes. (At Agency-wide level, fund level, and project level)
- Ability to create dummy cash-based budget accounts in addition to accrual accounts. Dummy accounts are closed at end of each period.
- Report budget versus actual by month, quarter and annually (See Exhibits F1/F2 and Exhibits G1/G2). Detail accounts are mapped to quarterly and annual report. (At Agency-wide level, fund level, and project level)
**Payroll and Other Personnel Expense Processing (Less Critical):**

- The payroll module should be able to communicate to our payroll outsource company (currently Ceridian (freedom)) and download all the necessary reports to automatically prepare payroll accounting entries and export them to the General Ledger system.
- The payroll module should help track and manage employee absence, leave, paid time-off and attendance, automatically update accruals, eliminate unnecessary paperwork and enable supervisors to approve, reject or cancel their staff time-off requests electronically. (Should provide capability to create customized documents for the stated items)
- Ability to allocate time per Fund, such as McKinney Act Fund and HomeSaver program.

**Single Family Whole Loan Processing (Less Critical):**

- Track and manage all the loans by loan numbers and funds.
- An interface between the Loan Portfolio system and the Agency Custodian and Loan Servicer accounts to download and post all the Single Family Whole Loan transactions into the Loan Portfolio System.
- Ability to automatically create accounting journal entries reflecting the Single Family Whole Loan transaction activity: disbursements of funds to a borrower, prepayments and payoffs of loans, accrued interest on loans, P&I received; servicing and late fees received if any.
- Automatic calculation of accrued interest on loans at the end of every month.
- Single Family Whole Loan amortization schedules should be generated by the system by using all the necessary parameters (initial principal amount, annual loan interest rate, the term of the loan) and loan provisions (non amortized DPA loans with a forgiveness period of 5 years); all the received P&I payments should be reconciled against existing loan amortization schedules.
- Ability to generate delinquency reports. (30 day, 90 day, etc.)

**Multifamily Loan Processing (Most Critical):**

- Draw requisition processing leading to the loans receivables reconciled through the EDI with the trustee.
- Creation of amortization schedules with principal and interest, interest only payments and periods, varying interest rates during each period. Amortization schedule shall allow for principal to be amortized at one rate and interest to be accrued at a different rate. (ability to easily breakout new issuances by date issued)
- Payment application schedules shall be comprehensive and shall include principal, interest, servicing fees, trustee fees, dissemination agent fees, rebate analyst fees and other custom interest rate component override or flat dollar amount fees, as well as escrow deposits into separate designated escrow accounts with the trustee and servicing bank. The escrow shall include reserve for replacement, mortgage insurance, taxes, hazard insurance and other escrows by loan and project. The EDI must accommodate this level of detail.
- Ability to generate a report showing the average maturities and net interest rate of Loans by category.
- Ability to link loan files and easily store borrower contact information.
Multifamily Risk Share Loan Servicing Transaction Processing (Most Critical):

Same as Multifamily Loan Processing, plus:
- Ability to generate billing and accounts receivable for principal, interest, fees and escrow deposits.
- Ability to apply received amounts data through EDI into the servicing system based on the preset payment application schedule, perform automated exception-based third party bank reconciliation using cash transactional records.
- Ability to perform escrow account balance analysis.
- Ability to generate monthly reports highlighting paid-to-dates for interest and principal, scheduled principal versus actual principal balances, accrued and unpaid interest and fees.
- Ability to sort and easily separate risk share loans.

Debt and Debt Service Processing (Most Critical):
- Ability to set up sinking fund maturity schedules for long term bonds and serial bonds.
- Ability to record multiple bond draws/issuances for the same series, bond redemptions for the same series.
- Recording of premium and discount for debt and amortization of premium and discount using effective interest rate method and straight line method.
- Ability to set up debt service schedules with principal and interest payment dates and amounts (debt service dates). Input of interest rates for fixed rate structures and calculation of accrued interest and reconciliation with the cash flow attributed to the payment of accrued interest.
- Ability to calculate, accrue interest, fees and reconcile cash transactions to clear any outstanding vouchers and highlight exceptions for accountants' research.
- Ability to generate report listing bonds by maturities, issuance date and interest rates.
- Ability to store critical bond files and indentures.

Capital Expense Processing (Most Critical):
- Ability to record additions, dispositions and value changes of the capital assets monthly.
- Ability to depreciate and amortize capital assets using various depreciation/amortization tables monthly.
- Ability to create schedule of all Capital Assets, projecting depreciation.

Prepaid Revenue Processing (Most Critical):
- Ability to record prepaid fees and amortize using straight-line method over a preset period of time or other present amortization tables.
- Ability to create schedule of all Prepaid Fees, which reconciles back to the Trial Balance.

Prepaid Expense Processing (Most Critical):
- Ability to record prepaid expenses and amortize using straight-line method over a preset period of time.
- Ability to create schedule of all Prepaid Fees, which reconciles back to the Trial Balance.
Functional Requirements

Escrow Account Processing (Most Critical):

- Ability to record increases and decreases in the escrow account balances by escrow account type matched to the bank accounts for cash reconciliation.
- Automated draw requisition processing through EDI with the trustee accounts.
- Ability to reconcile escrow accounts with related cash accounts.

Reporting (Specific Fields and Formats to Be Specified) (Most Critical):

- All reporting elements listed below must have the capability to be generated at an Agency-wide level, Fund level and Project level, and for any specified beginning and ending date ranges.
- Investment portfolio reports by type, maturity date, credit rating and credit rating of collateral grouped by series, program, fund, or custom and rebate. For examples see the following pages in Exhibit C: 26-31, 33-36, 73-98, and 56-57.
- See the attached Exhibit C for format of audited financial statements and required report structure, pages: 6, 8, 13-17, 68-72.
- Ability to round numbers effectively for presentation purposes in order to prevent footing errors.
- Capital assets portfolio reporting, Exhibit C pages: 42-43.
- Debt portfolio reporting, Exhibit C pages: 9, 45-54, 63-66.
- Other Income details see Exhibit C pages 61-62.
- Annual budget detail and mapping to more general accounts for reporting (Exhibits F1/F2).
- Budget progress report (quarterly) (Exhibits G1/G2).
- Cash flow forecast report, as needed, by series, program or custom combination.
- Multifamily loan level servicer reports, monthly with rollforward.
- HOME assets report, quarterly including loans and investment and cash holdings with rollforward.
- Cash holdings reporting, monthly with rollforward.
- Investment portfolio reporting, monthly, with rollforward.
- Mortgage-backed security portfolio reporting, monthly with rollforward.
- Loan portfolio reporting, monthly with rollforward.
- Debt portfolio reporting, monthly with rollforward.