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Last Approved:	01/2018
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Owner:	<i>Dhannetta Brown: Deputy CFO</i>
Policy Area:	<i>Management &amp; Budget</i>
References:	

## Cash and Investment Policy

### POLICY

In conformance with Michigan Public Act 20 of Public Acts of 1943, as amended, it is the policy of the Detroit Wayne Mental Health Authority (DWMHA) to invest public funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security, meeting the daily cash flow requirements of DWMHA and conforming to all state statutes governing the investment of public funds.

This investment policy applies to marketable security investments made by DWMHA. It does not apply to checking account balances or retirement and pension funds under the control of DWMHA's designated retirement fund administrator. The funds covered by this policy are accounted for in DWMHA's annual and monthly financial reports.

### PURPOSE

The purpose of this policy is to establish investment objectives, guidelines and eligible securities related to all liquid assets held by DWMHA.

### APPLICATION

1. The following groups are required to implement and adhere to this policy: DWMHA Board, DWMHA Staff
2. This policy serves the following populations: Adults, Children, I/DD, SMI/SEI, SED, SUD, Autism
3. This policy impacts the following contracts/service lines: MI-HEALTH LINK, Medicaid, SUD, Autism, Grants, General Fund

### KEYWORDS

1. London Interbank Offered Rate (LIBOR) - A benchmark rate that some of the world's leading banks charge each other for short-term loans. It serves as the first step to calculating interest rates on various loans throughout the world.

### STANDARDS

#### SECTION I: STANDARDS OF CARE

1. Prudence

The degree of judgment and care to be used by investment officials (as defined in subsection 2) shall be the “prudent expert” standard and shall be applied in the context of managing an overall portfolio. An investment official acting in accordance with this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price change, provided that deviations from expectations are reported in a timely fashion to DWMHA’s Executive Director or his/her designee and other prompt appropriate action is taken by the investment official.

2. Ethics and Conflicts of Interest

Officers, employees, board members, and all other persons (natural and otherwise) retained by DWMHA that are involved in the investment process (herein called “investment officials” or the singular thereof) shall abstain from personal business activity including financial transactions that could conflict with proper execution and management of the investment program or impair their ability to make impartial investment decisions. Investment officials shall disclose any material financial interest in financial institutions that conduct business with DWMHA and any personal financial or investment positions that could be related to the performance of DWMHA’s investment portfolio.

**SECTION II: OBJECTIVES**

1. Safety: Safety of principal is the foremost objective in the investment of DWMHA funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. Liquidity: The investment portfolio shall remain sufficiently liquid to enable DWMHA to meet all operating requirements that might be reasonably anticipated.
3. Return on investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment shall be of secondary importance compared to the safety and liquidity objectives above.

**SECTION III: DELEGATION OF DWMHA**

Management responsibility for the investment program is delegated to the DWMHA Executive Director, as required by Michigan law. The Executive Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate investment officials.

Investment Procedures: The Executive Director shall establish written investment procedures for the operation of the investment program consistent with this policy. Procedures shall include references to: safekeeping, delivery vs. payment, depository agreements, wire transfer agreements, and banking service agreements. Said procedures shall include explicit delegation of DWMHA by the Executive Director to those DWMHA employees engaged in the investment transactions. No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Executive Director.

**SECTION IV: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list shall be maintained of approved broker/dealers who have been selected based on credit worthiness and authorization to conduct business in the State of Michigan.

Each financial institution with which DWMHA conducts business and each of its relevant employees shall acknowledge that it/he/she:

1. Has received DWMHA's investment policy;
2. Has read the policy; and
3. Will comply with the terms of the policy.

A current audited financial statement and a Statement on Standards for Attestation Engagement (SSAE No. 16), Reporting on Controls at a Service Organization are required to be on file for each financial institution through which DWMHA invests.

#### **SECTION V: AUTHORIZED INVESTMENTS**

DWMHA is authorized to invest in the following types of securities as authorized by the Investment of Surplus Funds of Political Subdivisions Act, Michigan Public Act 20 of 1943, as amended:

1. Debt obligations of the United States Treasury
2. Debt obligations of an agency of the United States government
3. Certificates of deposit of federal and/or state related financial institutions
4. Commercial paper rated at the time of purchase at the highest classification established by not less than two (2) standard rating services and that matures not more than two hundred and seventy (270) days after the date of purchase.
5. Debt obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one (1) standard rating service
6. Institutional money market funds

#### **SECTION VI: SAFEKEEPING AND CUSTODY**

All securities transactions, except certificates of deposits as described below, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian, as designated by DWMHA, and shall be evidenced by a safekeeping receipt.

Non-collateral, non-negotiable certificates of deposits, as allowed under Michigan law, shall be evidenced by a safekeeping receipt from the issuing bank.

#### **SECTION VII: DIVERSIFICATION**

The Chief Financial Officer (CFO) shall diversify investments by security type and institution. No more than forty percent (40%) of the total investment portfolio will be invested in a single security type (see Section V, 1 – 6) and no more than forty percent (40%) of the total investment portfolio shall be invested in assets issued or managed by a single financial institution.

#### **SECTION VIII: MAXIMUM MATURITIES**

To the extent possible, DWMHA shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a particular cash flow need, DWMHA will not directly invest in securities that mature more than three (3) years from the date of purchase. As outlined in Section V.

Funds with longer-term horizons may be invested in securities exceeding the three (3) year limitation provided that maturity dates coincide, as near as possible, with the expected use of the funds.

#### **SECTION IX: INTERNAL CONTROL**

The Chief Financial Officer (CFO) shall establish a system of internal control that will ensure that the investment assets of DWMHA are protected from loss, theft, or misuse. The internal control structure shall be

designed in such a way as to provide reasonable assurance that these objectives are being met. The internal control system shall be reviewed annually by an external audit group to ensure compliance with policies and procedures.

#### **SECTION X: PERFORMANCE STANDARD**

The investment portfolio will be managed in accordance with the standards established within this policy and should obtain a market rate of return during an economic and budgetary environment of stable rates. Accordingly, the benchmark used to measure portfolio performance shall be the one (1) year LIBOR. Performance measurement shall occur at least every quarter.

#### **SECTION XI: REPORTING**

The Chief Financial Officer (CFO) shall provide at least an annual report to the DWMHA board setting forth a clear picture of the status and types of investments of the current investment portfolio. This report shall be prepared in a way that will allow the board to ascertain whether investment activities during the reporting period have conformed to the investment policy.

#### **SECTION XII: CASH FLOW CRISIS**

DWMHA's Executive Director may determine that a cash flow crisis exists at DWMHA. The Executive Director will inform the Board's Executive Committee of an existence of and magnitude of a cash flow crisis, the reasons that created the crisis and provide a crisis management plan. Agreement upon a crisis management strategy by the Board's Executive Committee, Executive Director and Chief Financial Officer (CFO) is required before any temporary change in investment type or portfolio percentages (as outlined in this policy) can be executed to effectively manage the crisis.

The Executive Director, at the next board meeting, will notify the full board of the crisis, results of the deliberations that lead to the temporary change in this policy, action taken, and impact and seek full board approval for any policy change as needed. It is the Executive Director's responsibility to manage the crisis effectively (service delivery) while protecting the assets of DWMHA.

#### **SECTION XIII: ADOPTION**

DWMHA's investment policy shall be adopted by a resolution of its board. Any proposed revision to the policy shall be brought to the board for adoption. The policy shall be reviewed annually by the Executive Director.

## **QUALITY ASSURANCE/IMPROVEMENT**

DWMHA shall engage an independent auditor to provide reasonable assurance that the financial reporting controls of the Authority are reliable and prepared in accordance with Generally Accepted Accounting Principles and the Authority's adherence to this policy.

## **COMPLIANCE WITH ALL APPLICABLE LAWS**

DWMHA staff are bound by all applicable local, state and federal laws, rules, regulations and policies, all federal waiver requirements, state and county contractual requirements, policies, and administrative directives, as amended.

## **LEGAL AUTHORITY**

1. Generally Accepted Accounting Principles (GAAP)

2. Governmental Accounting Standards Board (GASB)
3. Michigan Public Act 20 of Public Acts of 1943, as amended

## RELATED POLICIES

1. Fiscal Control & Accountability Procedure

## RELATED DEPARTMENTS

1. Administration
2. Compliance
3. Legal
4. Management & Budget

## CLINICAL POLICY

NO

## INTERNAL/EXTERNAL POLICY

INTERNAL

### Attachments:

No Attachments

### Approval Signatures

Approver	Date
Dana Lasenby: Acting Chief Executive Officer	01/2018
Allison Smith: Project Manager, PMP	01/2018
Lorraine Taylor-Muhammad: Director, Managed Care Operations	01/2018
Rolf Lowe: Assistant General Counsel/HIPAA Privacy Officer	01/2018
Bessie Tetteh: CIO	01/2018
Mary Allix: Director of Quality Improvement	01/2018
Donna Coulter: Dir. of OPA	12/2017
Jody Connally: Director, Human Resources	12/2017
Michele Vasconcellos: Director, Customer Service	12/2017
Michael Rangos: Director of Procurement	12/2017
Julia Kyle: Director of Integrated Care	12/2017
Brooke Blackwell: Communications Director	12/2017
Kip Kliber: Director, Recipient Rights	12/2017
Maha Sulaiman: Director of Utilization Management	12/2017
Corine Mann: Chief Strategic Officer/Quality Improvement	12/2017

<b>Approver</b>	<b>Date</b>
Jean Alce: Interim Medical Director	12/2017
Andrea Smith: Director of Clinical Practice Improvement	12/2017
crystal Palmer: Director, Children's Initiatives	11/2017
Eric Doeh: Compliance Officer	11/2017
Darlene Owens: Director, Substance Use Disorders, Initiatives	11/2017
William Sabado: Chief of Staff	11/2017
Stacie Durant: CFO Management & Budget	11/2017
Dhannetta Brown: Deputy CFO	11/2017

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