

Memorandum

Housing Finance Authority

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TO: Rodney S. Fischer, Chairman
and Members of the Housing Finance Authority

FROM: Richard J. Perkins
Senior Accountant

THROUGH: Anthony M. Jones
Executive Director

SUBJECT: Checking Account Report

DATE: September 12, 2006

During the period of April through August approximately \$42,600 of fraudulent transactions in the form of electronic ACH debits and checks were processed against our checking account. All of the funds were recovered. The account remained open during this period so that legitimate checks could be presented for payment. The account is now closed. With regard to this particular checking account we received 1.15% annually in interest earnings and approximately \$170 in fees was waived. The effect of this arrangement resulted in approximately \$125.00 in monthly interest earnings.

The first of several fraudulent transactions was discovered in May and we opened a new account in June. There are a variety of controls placed on our new account that prevents electronic checks and ACH debits from being processed. Our account also has a feature called "Positive Pay". Electronically, we will transmit a list of checks to the bank. All checks presented to the bank for payment must be on that list or the check will be rejected. To date, the integrity of our new account has not been compromised.

I am estimating our new monthly banking fees to be approximately \$300 based upon the number of check transmissions. We will receive approximately \$450 per month in interest earnings based on an annual rate of 4.5%. Our estimated net increase in monthly interest earnings will be approximately \$25.00. We plan to examine our banking options in the near future and bring you a recommendation at the appropriate time.

Please call me if you have any questions.