

## MEMORANDUM

**To:** CRA Board

**From:** Ellen Shore

**Date:** December 16, 2020

**Re:** Amended Internal Control Policy of November 2020

## BACKGROUND

In June 2014, the newly appointed CRA Board adopted an Internal Controls Policy (ICP) for the CRA. At that time, there were three CRA staff members, with the Executive Director serving all executive and financial functions of the agency. Today, there are eight employees, three of which are dedicated to finance and operations – the Executive Director, the Operations Director and the Director of Finance. This gives the CRA more segregation of duties to provide checks and balances.

At the November 18, 2020 board meeting, Director of Finance, Hema Kailasam, proposed an amended and restated ICP with similar goals as the 2014 version using a PowerPoint presentation. Because much of the text in the 2014 ICP was considered procedures, these were pulled out of the ICP and placed into a Procedures and Process document that had been reviewed by Mr. Bator, the CRA Treasurer. The Board approved the amended and restated November 18, 2020 Internal Controls Policy.

However, after the November board meeting, the Staff felt that the check signing authorization thresholds and the ability to use electronic fund transfers, which were discussed in the presentation, and described in greater detail within the Procedures and Process document, should be included in the ICP as this delegated new authority to Staff. Two other items in the 2014 version but omitted in the November version are also incorporated in the December version:

- Board approval for real property acquisition or disposal
- Board notification or approval for the disposition of assets maintained in the general ledger

## CRA BOARD MOTIONS

*Motion: To approve an Amended and Restated Internal Control Policy dated December 16, 2020*

Cambridge Redevelopment Authority

Internal Controls Policy

Amended and Restated December 16~~November~~ 2020



CAMBRIDGE  
REDEVELOPMENT  
AUTHORITY

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### A. INTRODUCTION

Internal Controls are defined by the Cambridge Redevelopment Authority (CRA) as the financial policies of the organization to safeguard the CRA's assets and insure the reliability of its financial records. The CRA shall develop, enforce, and evaluate financial controls for both prevention and detection. The internal controls policy and procedures should be documented and regularly re-evaluated. All employees will have their financial management duties clearly defined. The internal controls of the CRA are designed to accomplish the following:

- Protect resources against waste, fraud, and inefficiency,
- Promote accuracy and reliability in accounting records,
- Measure compliance with local and state agency policies,
- Evaluate the efficiency of financial operations in all projects and programs of the CRA, and
- Provide procedures for oversight of assets and finances by the CRA Board of Directors.

### B. GENERAL POLICIES

#### 1. Policy and Procedure Amendments

- a. All Internal Controls Policy changes must be approved by a majority of Board members at a public meeting.
- b. Internal Controls Procedures may be revised with the approval of the Treasurer, Assistant Treasurer, Executive Director, Operations Director and Director of Finance.
- c. Accounting procedures, procurement policies, record retention policies, and the chart of accounts must be reviewed on an annual basis to eliminate outdated information and include current information

#### 2. Segregation of Duties

The CRA will segregate financial duties to the greatest extent possible. Record keeping duties are to be separated from operational and custodial duties. Staff will be cross trained to maintain business functions during employee absences. The CRA will maintain an organization chart with updated job descriptions.

### 3. Conflict of Interest

- a. As a public agency, the CRA requires all staff and Board members to be diligent in avoiding conflicts of interest or the perception of conflicts of interest in conducting CRA business.
- b. The CRA requires an annual acknowledgement of the conflict of interest policy by all employees and Board members.
- c. Partisan political activity by CRA personnel is prohibited while representing the organization.

### 4. Lending Policies

- a. Loans to employees are prohibited, including payroll advances
- b. Loans against pension plans are prohibited by the Cambridge Retirement System. Loans against an employee's 457 Plan may be allowed according to the Massachusetts Deferred Compensation 457 SMART Plan. Employees should consult the plan administrator for guidelines on borrowing from the 457 SMART Plan.
- c. Any community or business loan program that results in loans being made by the CRA will need Board approval.
- d. The Board may delegate the selection of specific recipients within a program to CRA Staff or a designated committee, with a requirement for reporting to the Board of final disbursements.

### 5. Conference and Travel Expenses

Expenses for CRA staff requires prior approval. The Executive Director will approve staff travel. Travel for the Executive Director will be authorized by the Treasurer and/or Chair.

- a. Employees will pay for conference fees directly and seek reimbursement. Trainings required or directed by the employee's manager may be paid for directly by the CRA.
- b. Travel expenses (lodging, all transportation, conference fees) that are expected to exceed \$1,500 must be pre-approved by the Treasurer.
- c. Travel reimbursements will be provided upon the submission of paid receipts.
- d. The CRA will not be responsible for travel expenses incurred by family members or guests.

## C. GOVERNANCE AND REPORTING

### 1. Treasurer, Assistant Treasurer and Staff

- a. The Treasurer and Assistant Treasurer will oversee the financial management of the CRA.
- ~~a-b.~~ The Executive Director will meet with the oversight group shall be composed of The Board Treasurer and Assistant Treasurer, the Executive Director, the Director of Finance and the Operations Director This group will meet, at a minimum, once a quarter to review the budget, investment accounts, and capital expenditures of \$5,000 and greater. The Executive Director may also request the advice of the Assistant Treasurer.
- ~~b-c.~~ The Finance and Operations staff will manage the day-to-day operations of the CRA's finances and carry out the Internal Controls procedures in support of the CRA's programs. The Finance and Operations staff members include the Executive Director, the Director of Finance, and the Operations Director.

## 2. Annual Budget

- a. CRA Board shall adopt a formal budget each year that directs the expenditures of the CRA for the course of the fiscal year.
- b. The Executive Director has discretion within broader budget accounts except for Professional Services (Personnel, Office, Professional Services, Project Initiatives and Property Investment) to reallocate up to 10% - amount based on 10% of the lesser sub-account amount
- c. Any abnormalities or significant variances of the budget exceeding 10%, shall be reviewed with the Board. As requested by the Board, other budget information will be provided, including accounts of active projects or initiatives.
- d. As needed, the Board shall review and approve major budget adjustments during the year.
- e. Federal, State, local and private grant funds shall be accepted and approved by the Board. All grants will be administered to adhere to their specific compliance and reporting requirements.

## 3. Board Meetings

- a. Monthly CRA Board meetings shall be held in accordance with the By-Laws and recorded with detailed minutes, which are approved monthly and maintained indefinitely.
- b. At such monthly meetings, a monthly financial report shall be provided by the staff which shall include a summary of Year-to-Date actual expenses in comparison to annual budget, expenses by category, and expenses by project initiative.
- c. On a Quarterly basis, a more comprehensive report will include the additional reports:
  - i. Details of the past quarter's expenditures
  - ii. Balance sheet
  - iii. Statement of cash flows
  - iv. Special reports as needed

## 4. Staff Training

All CRA staff will receive training about the internal controls system and their individual responsibilities within the financial management system.

## 5. Annual Audit

An annual audit shall be completed by an independent auditor. The CRA shall utilize an open selection process to procure auditing services every 5-10 years.

## D. FINANCIAL OPERATIONS

### 1. Cash

- a. No cash should be received or collected by the CRA staff.
- b. Petty cash of \$100 (maximum) will be held in a locked cabinet or safe. Access to petty cash is limited to the Executive Director, Operations Director and Director of Finance.

### 2. CRA Depository Accounts

- a. All bank accounts including the investment accounts shall be authorized by the Board of Directors.
- b. The Treasurer, Assistant Treasurer, Executive Director and Director of Finance shall be the signatories on all bank and investment accounts. This will provide back-up for the Executive Director.

### 3. Credit Card Policy

- a. The Executive Director and Operations Director will be issued credit cards to conduct CRA business. The credit limit for the organization shall not exceed \$5,000.
- b. The card shall be used only to conduct CRA business.
- c. An expense report that details the accounts to be charged and purpose of the expenditures, along with credit card statements, invoices and/or receipts will be reviewed by the Director of Finance.
- d. Once approved by the Director of Finance, the payment of the credit card balance will be scheduled by the Operations Director.

### 4. Insurance Coverage

- a. An insurance schedule is to be maintained and updated annually by the Director of Finance. The schedule shall list insurance carriers, coverage limits, premiums, deductibles, and expiration dates. This schedule will be reviewed by the Executive Director annually.
- b. Insurance coverage limits for property, worker's compensation, and general liability are to be reviewed periodically by a professional in the insurance field to ensure that coverage amounts are adequate.
- c. The CRA Treasurer, Assistant Treasurer and any signer of bank accounts shall be bonded for an amount no less than \$250,000.
- d. All staff members are to be covered by a Professional Liability and Employment Practices Liability. All Board Members shall be covered by Director's and Officer's coverage. This coverage shall be in an amount not less than \$2,000,000.

### 5. Purchases

- a. Purchasing of goods and services must follow the CRA procurement policy and State regulations, as well as the approved annual budget, with the exceptions outlined below:

- b. Routine office expenses and maintenance supplies may be procured by the Operations Director within budget guidelines. Otherwise, the Operations Director requires an approval by the Executive Director or Director of Finance.
- c. Purchases more than \$2,500 that are not in the budget must be approved by the Treasurer or Assistant Treasurer.
- d. Food purchases for meetings shall be approved by the Executive Director or the Director of Finance before ordering.
- e. Purchasing shall be independent of the receiving and payment function.
- f. To the extent possible, the CRA will establish vendor accounts and receive invoices for purchases.
- g. All vendors must be approved by the Executive Director; such vendors will provide account, W9 (if applicable), and payment instructions to operations and finance for entry into the system.
- h. No payment for consultant services over the original contracted amount will be made without Executive Director or Board approval of a contract amendment per procurement laws.
- i. Invoice amounts that exceed executed contracts values will be not paid until contracts are amended and signed by the Board Chair and/or Executive Director.
- j. Vendors require regular performance reviews. Some metrics for consideration are KPIs – mutually agreed upon performance targets, contract compliance, in-house satisfaction, including vendor relationships with key team members, and vendor risk based on company goals, market performance and social and financial presence.
- j.k. Payments by check or electronic fund transfer (EFT) up to \$5,000 can be authorized by the Executive and or Director of Finance; above \$5,000 both Executive Director and Director of Finance must sign or authorize; and payments above \$10,000 require the signature and or authorization of the Treasurer or Assistant Treasurer.

## 6. Records Retention

- a. As a quasi-state agency, the CRA follows the rules of the Statewide Agencies Records Retention Schedule.
- b. A more complete schedule of record retention is found in the CRA Records Retention Policy.

## 7. Asset Management

- a. The CRA will maintain an inventory of secured and unsecured assets.
- b. Capital investment plans, depreciation and replacement schedules will be reviewed annually by the Executive Director and Director of Finance with program staff.
- c. Board approval is required for real property acquisition or disposal
- d. Board approval by resolution is required for disposition of assets maintained in the general ledger (in accordance with property disposition policy).

## 8. Investment Policy

CRA investments and pledged securities shall be obtained, recorded (including investment gains and losses, realized gains and losses, interest and dividend income, taxes, and fees) and reviewed in accordance with the CRA investment policy.

## 9. Business Continuity Plan

The CRA is committed to its stakeholders. To ensure the effective continuity of the responsibilities of the CRA, staff will develop, update and train staff of a comprehensive business continuity, disaster prevention and total organizational recovery plan.