

## MEMORANDUM

**To:** CRA Board  
**From:** Tom Evans  
**Date:** March 15, 2023  
**Re:** Financial Management Update

## BACKGROUND

Over the past several years, CRA Staff have developed new policies and procedures to provide oversight and separation of duties to further protect the CRA's resources. Likewise, the CRA projects have grown in complexity and its financial resources have grown by an order of magnitude. Thus, the Internal Controls Policies have been updated to reflect the organization's maturation. The departure of the Director of Finance has left the staff with a large capacity gap in its financial management, as well as a missing link within its Internal Controls and financial operating procedures. The policy revisions proposed are designed to provide more redundancy and back-up for financial duties as well as expand a few areas requiring policy clarity.

## INTERNAL CONTROLS POLICY REVISIONS

As stated in the policy document itself, Internal Controls are defined as the financial policies of the organization to safeguard the CRA's assets and insure the reliability of its financial records. They are designed to:

- 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.

Staff recommend moving forward with the revisions to the policies as regular updates and amendments were anticipated in the policy document. These revisions will provide additional operating layers of review and control for financial procedures. The significant policy updates include the following:

- a) Clarification of terms
- b) Emphasis on staff training on policies and procedures
- c) Added provision for outside vendor assistance with financial reporting
- d) Expansion of Leadership Team roles in financial procedures

- e) Clarification of accounts payable approval roles and their application to wired transfers
- f) Additional section about contract management
- g) Updated document security provisions
- h) Expanded equipment inventory expectations

## COMMBUYS PROCESS FOR FINANCIAL CONSULTANT SELECTION

The Commonwealth of Massachusetts’ Operational Services Division (OSD) has established a wide range of Statewide Contracts for use by eligible public agencies, as authorized under the state law governing the purchase of goods and services, 30B. Buying goods and services through Statewide Contracts can offer significant benefits to the CRA, including time savings, obtaining best value at competitive prices, and an establishment of long-term relationships with vendors. OSD operates the COMMBUYS website as an online resource for advertising bids and finding Statewide Contracts. CRA staff have re-registered the organization with COMMBUYS in order to access State Wide Contract opportunities.

The financial operations of the CRA had become dependent on the Director of Finance position to provide regular support in scheduled financial reporting and establish comptroller functions. Before the creation of this position, the Operations Director with support of small contracts with outside vendors handled some of these duties. As the complexity of the CRA’s projects and operations have increased tremendously, these financial oversight functions have also grown in their complexity. Furthermore, the insight of the Finance Director raised the depth and quality of financial reporting. Thus the CRA Staff seek an outside vendor to take over these responsibilities for the time being, while a new Director of Finance search takes place.

Additionally, with the anticipated significant accounts receivable from development in the MXD District, the CRA will require advise on how to manage this income. The financial chapter of the draft Strategic Plan sets out a number of initiatives that will require guidance for implementation.

Withum is a financial management company with a diverse set of specialists in the areas of government accounting, non-profit financial management, and investment accounts. Withum was recommended by two Cambridge nonprofit organizations. The Executive Director has interviewed the local team that would be assigned to the CRA account, and they demonstrated a strong understanding of the CRA’s unique financial needs.

## CONTRACT TERM

The Statewide Contract PRF 78 is set to expire at the end of 2024. The CRA would establish a purchase order under this contract. The CRA expects to enter into a contract that will start as soon as possible and conclude in late 2024.

## MOTIONS

*DRAFT: Approving the proposed revisions to the CRA Internal Controls Policies*

*DRAFT: Authorizing the Executive Director to negotiate a scope of services through a purchase order under existing State of Massachusetts COMMBUYS contract PRF 78 with Withum for financial accounting services.*

## EXHIBITS

Exhibit A: Proposed revisions to the CRA Internal Controls Policy

Exhibit B: Draft Scope for Financial Accounting Services

Cambridge Redevelopment Authority  
Internal Controls Policy  
Amended and Restated December 2020  
V1. Approved 5.18.22  
(Proposed Updates 2023)



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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 policies 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 quorum of Board members at a public meeting.
- b. Financial Operations Internal Controls Procedures may be revised with the approval of the Treasurer, and Assistant Treasurer, ~~Executive Director, Operations Director and Director of Finance.~~
- c. The Financial Operations Accounting Procedures, procurement policies and procedures, records retention policies, and the chart of accounts must be reviewed on an annual basis to eliminate outdated information and include current project updates information.

### 2. Segregation of Duties

- a. The CRA will segregate financial duties to the greatest extent possible. Record keeping duties are to be separated from operational and custodial duties.
- b. Staff will be cross trained to maintain business functions during employee absences.
- c. The CRA will maintain an organization chart with updated job descriptions.
- d. All staff involved in contracting and vendor relations, will be trained on the Internal Controls Policies and Internal Controls Procedures.

### 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 [Commonwealth's conflict of interest training and](#) 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, [unless the CRA holds a membership or other organizational arrangement with the program provider.](#) Trainings required or directed by the employee's manager may be paid for directly by the CRA.
- b. Travel expenses (lodging, ~~air~~ transportation, [meals](#)) and conference fees) that are expected to exceed \$1,500 [per individual staff member](#) must be pre-approved by the [Chair or](#) 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.
- ~~d.e.~~ [Details about professional development planning and travel reimbursements are to be included in the Employee Handbook.](#)

## C. GOVERNANCE AND REPORTING

### 1. Treasurer, Assistant Treasurer and Staff

- a. The Treasurer and Assistant Treasurer will oversee the financial management of the CRA.

- b. The Executive Director will meet with the Board Treasurer, and the Director of Finance ~~and the Operations Director~~ This group will meet, at a minimum, once a quarter ~~to review~~. The group will ~~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.
- 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.
- ~~e.~~ d. The Executive Director, with Board approval, may utilize third-party accounting and financial services to provide additional oversight and support for staff.

## 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 sections 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 or third-party contractors, 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 ~~Q~~ quarterly basis, a more comprehensive report will be prepared by staff or third-party contractors to include the monthly financial report along with the additional reports information below:
  - i. Details of the past quarter's expenditures
  - ii. Balance sheet
  - iii. Statement of cash flows
  - iv. Special reports as needed or requested by the Board

## 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. As needed for separation of duties and business continuity, the Executive Director and Treasurer may designate the Director of Projects and Planning as a signatory of limited operating accounts, as authorized by the Treasurer. This will provide back up for the Executive Director.

### 3. Credit Card Policy

- a. The Executive Director and Operations-all Directors will be issued credit cards to conduct CRA business. The credit limit for the organization shall not exceed \$10,000.
- b. The credit cards 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 or Executive Director.
- 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.
- e. All contracts will require vendors to carry appropriate levels of insurance coverage to protect the CRA.

## 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, purchases by the Operations Director requires an approval by the Executive Director or Director of Finance.
- ~~b.c.~~ The CRA may utilize Statewide Contracts for purchasing good and services through the COMMBUYS website operated by the Commonwealth of Massachusetts' Operational Services Division (OSD).
- ~~e.d.~~ Purchases more than \$2,500 that are not in the budget must be approved by the Treasurer or Assistant Treasurer.
- ~~e.e.~~ Food purchases for meetings shall be approved by the Executive Director, ~~or~~ the Director of Finance, or the Director of Projects and Planning before ordering.
- e.f. Purchasing shall be independent of the receiving and payment function.
- f.g. To the extent possible, the CRA will establish vendor accounts and receive invoices for purchases.
- ~~g.h.~~ All vendors not otherwise covered by a contract, 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.i.~~ 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. Payments by check or electronic fund transfer (EFT) up to \$5,000 can be authorized by the Executive ~~and Director~~ or the Director of Finance. Above \$5,000, both Executive Director and Director of Finance must sign or authorize payments. In the absence of one of the Director positions, the Treasurer or Assistant Treasurer may serve as the second authorization of payment. All payments above \$10,000 require the signature and or written authorization of the Treasurer or Assistant Treasurer.
- k. The same controls as above shall be applicable for wire transfers for payments to external vendors or accounts. Wire transfers between CRA accounts may proceed with the approval of the Executive Director or the Director of Finance.
- l. Blank paper checks will kept in a secured locked location at the CRA offices.

## 6. Contract Management

- a. Contracts up to \$10,000 may be authorized by the Executive Director. Any contract valued for an amount over \$10,000, must be approved in writing by the Chair.
- b. All contractors must provide a W9 and Certificates of Insurance (per the coverage levels above along with any specific contract specifications), before initial payments are made. Insurance coverage must be maintained per contract expectations.
- c. Unless a contract provides for an exception, consultants and contractors must provide a written invoice describing work performed and/or materials provided before payment is issued.
- d. No payment for consultant services over the original contracted amount will be made without Executive Director or Board approval of a contract amendment.
- e. 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.

## ~~6.7.~~ Records Retention

- a. As a quasi-statepublic agency, the CRA follows the rules of the Statewide Agencies Records Retention Schedule.
- b. Physical personnel records will be kept in a secure locked cabinet.
- ~~b.c.~~ Digital personnel records and payroll reports shall be saved only in secure locations on the CRA server, and shall be encrypted whenever possible. Such records shall not be transmitted by email.
- ~~c.d.~~ A more complete schedule of record retention is found in the CRA Records Retention Policy.

## ~~7.8.~~ Asset Management

- a. The CRA will maintain an inventory of secured and unsecured assets. Although some equipment may depreciate beyond a value required for audit reporting, the CRA shall maintain this inventory of all furniture and major equipment in its offices and buildings for [ES1].
- 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).

## ~~8.9.~~ 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 Iinvestment Ppolicy.

9.10. Business Continuity Plan

- a. The CRA is committed to its stakeholders and its project partners, and will establish procedures for tracking project information and financial records that provide redundancy of institutional knowledge.
- b. The Executive Director shall provide the Board with an Emergency Succession Plan, and make regular updates to this plan as needed.
- c. To ensure the effective continuity of the responsibilities of the CRA, the Directors staff will develop, update and train staff of a comprehensive business continuity, disaster prevention and total organizational recovery plan.

## Exhibit B

### Draft CRA Financial Consulting Scope 3.15.23

#### Immediate Transition Support

With the departure of the Director of Finance and Operations, the CRA is in need of financial services to assist the Operations Director, Senior Asset Manager, and the Executive Director with numerous regular accounting functions. Specific functions will include but not limited to:

- Preparation of monthly Financial Reports for the Staff and Board
- Preparation of more in-depth quarterly reports in compliance with the CRA Internal Controls
- Assist in closing out and making adjustment to the 2022 fiscal year and support audit preparations
- Conduct bank account reconciliation
- Serve as a general comptroller for CRA staff
- Assist with property tax abatement filing

#### Long-Term Advice and Consulting

Utilizing the exposure to the regular CRA accounting systems and in anticipation of implementation activities coming out of the new Strategic Plan, the CRA, including a to-be-hired Director of Finance, will benefit from ongoing support and advise for longer term financial strategies and systems management. Potential areas of consulting assistance include:

- Review Financial Management Procedures and provide feedback
- Assist staff in revising accounts receivable and deliverable and budget tracking systems
- Make recommendations on financial software systems
- Assist with the establishment of an operational endowment
- Create separate sub-business lines with segregated fund accounts for individual properties