INTERNAL CONTROL POLICY

1) Internal controls are defined by the Cambridge Redevelopment Authority (CRA) as the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records. Local redevelopment authorities should address financial controls through both prevention and detection. Internal controls of the CRA are designed to accomplish the following:
   a) Safeguarding resources against waste, fraud, and inefficiency
   b) Promoting accuracy and reliability in accounting and operating data
   c) Encouraging and measuring compliance with local agency policy
   d) Evaluating the efficiency of financial operations in all departments of the authority; and
   e) Providing procedures for oversight by the CRA Board of Directors (Board) of assets and finances.

2) The CRA shall maintain and periodically review (at least annually) policies related to personnel, procurement, fiscal operations, and investments. All revisions shall be Board approved.

3) The CRA shall segregate duties to the greatest extent possible given organization size and staffing levels.

4) Checks received via mail, drop slot, site collection, or in person are to be receipted and restrictively endorsed by the person taking the money. These checks are then deposited in the respective banks and entered into the electronic general ledger system for comparison of receipts and deposit to banking accounts. Cash is not accepted by the CRA.

5) Cash loans to employees are prohibited. This includes payroll advances. Loans against employee retirement plans are prohibited by the plan policy.

6) Cambridge Redevelopment Authority Insurance Coverage
   a) An insurance schedule is to be maintained and updated annually by the Executive Director or his designee that lists carrier, coverage limits, premiums, deductibles and expiration dates. This schedule will be reviewed by the Executive Director annually.
   b) The CRA Treasurer, Assistant Treasurer and any signer of bank accounts shall be bonded for an amount no less than $250,000.
   c) All Board members are to be covered by a Professional Liability and Employment Practices Liability. This coverage shall be in an amount not less than $1,000,000.
   d) Insurance coverage limits for property are reviewed periodically via an on-site review by a professional in the insurance field to ensure that coverage amounts are adequate.

7) All CRA general ledger records shall be kept up to date.
   a) Control accounts shall be balanced with subsidiary accounts weekly.
   b) Journal entries shall be reviewed by the Executive Director monthly.
   c) Recurring, automatic posting journal entries shall be used for repetitive items to the greatest extent possible (i.e. amortizations, interest accruals, etc.). This reduces the potential for human entry error.
   d) Financial Statements shall be presented to the Board monthly.

6/18/2014 Adopted
e) All accounting records are backed up continuously to an alternate location via the internet.

8) The CRA Board shall adopt a formal budget each year that will be presented to and approved by the Board of directors by resolution.
   a) The Executive Director may approve transfers between budget line items within broader budget categories for values up to ten percent (10%) of the value of the lesser line item.
   b) If necessary, the Board shall review and approve major mid-year budget revisions.
   c) All transfers between accounts are to be approved in writing by either the Treasurer or the Executive Director prior to the transfer.

9) Board Meetings
   a) Monthly CRA Board meetings shall be held in accordance with the By-Laws and recorded by detailed minutes, which are approved monthly and maintained indefinitely.
   b) At such Monthly meetings, the following financial report shall be provided by the Executive Director:
      i) A summary of Year-to-Date Actual expenses in comparison to Annual Budget
   c) On a Quarterly basis, a more comprehensive reporting will include the additional reports
      i) List of the past quarters expenditures by Budget category
      ii) Balance sheets that summarize current bank account balances
   d) Any abnormalities, significant variances with the budget, or significant expenditures shall be reviewed with the Board by the Executive Director.
   e) As requested by the Board, other budget information will be provided by CRA staff, including accounts of active projects or initiatives.

10) Petty Cash
    a) The responsibility for petty cash is assigned to the Executive Director.
    b) Petty cash is limited to $100.
    c) Petty cash is to be signed for by the person receiving the cash.
    d) Valid receipts are required for the use of petty cash.
    e) Petty cash is not to be utilized for check cashing purposes.
    f) Petty cash must be reconciled by the Bookkeeper and signed off by the Executive Director prior to replenishment.
    g) Petty cash lock box shall be stored under lock and key as a protection from misuse.

11) Bank Accounts
    a) All bank accounts shall be authorized by the Board.
    b) The Treasurer and Vice Treasurer shall be the signatories on all saving accounts. The Treasurer, Vice Treasurer and Executive Director shall be the signatories on checking accounts.
    c) All bank account statements shall be directed initially upon receipt to the Executive Director for review. Statements are then forwarded to the Bookkeeper for
reconciliation. They are reconciled monthly and reviewed by the Executive Director after reconciliation. This review shall include the following:

i) review of check numbers

ii) review of authorized signatures

iii) comparison to general ledger cash balance

iv) review of transfers, direct deposits, and direct drafts

v) comparison to cash logs.

d) All bank accounts shall have running balances available to accurately forecast cash uses, receipts and needs. Excess cash should be transferred to higher yield investment accounts in accordance with the Investment Policy.

e) A report describing the monthly bank reconciliations shall be signed off on by the Executive Director and then submitted to the Board.

12) Disbursements for Goods and Services

a) With the exception of petty cash, pre-authorized vendor direct drafts and purchases made with bank sponsored debit card, all disbursements are to be made by check.

b) All checks are to be pre-numbered and issued in sequence.

c) All bank and other information is printed on the checks by the electronic general ledger software and only authorized users have password access to the software.

d) Check stock is kept under lock and key. Only authorized users and only signers of the checks have keys to the lock box.

e) All vouchers\(^1\) are to be prepared by the Bookkeeper and approved and signed by the Executive Director prior to preparations of checks. Vouchers will have the following components reviewed:

i) Authorization (PO, etc.)

ii) Receipt of goods

iii) Amount paid

iv) Account code

v) Expense reasonableness for travel and training expenses, and reimbursements.

f) All vouchers are to be marked paid after check is issued to prevent duplicate payments.

g) All checks are prepared with invoices attached for reference.

h) All checks over $1,000 require a signature from the Treasurer.

i) The Treasurer shall review the record of all checks issued by the CRA on a monthly basis.

j) A Board representative shall be required to counter-sign the payment voucher for all credit card expenditures and reimbursements to the Executive Director.

13) Purchasing of Goods, Supplies, Equipment, Materials and Services

a) Purchasing shall be accomplished through the Executive Director or his designee.

b) Purchases over $10,000 require a contract and Board Approval.

c) Food purchases shall be approved by the Executive Director.

d) All items for purchase or contractor selection shall be procured in accordance with the Procurement Policy.

e) All goods should be shipped directly to the CRA office or project location.

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\(^1\) Vouchers for payment include invoices for goods, services, materials, etc. and for contracts.
f) Purchases may not exceed the Board approved budget.
g) Received goods shall be inspected for condition and quantity when received.
h) No expenditures over the contracted amount shall be made without prior Board approval.

14) Purchase Orders
   a) Upon entering into a contract for services, funds for that contract shall be encumbered in the QuickBooks bookkeeping system.
   b) The Executive Director, or his/her designee shall enter a purchase order into QuickBooks with the following information:
      i) Vendor contact information
      ii) Account details
      iii) Amount of contract to which the expense item refers
      iv) A description of the services to be performed
   c) Staff can print an open purchases report at any time to review the current status of purchase orders. It will not appear on the profit and loss until deductions are entered from the actual bill payments.
   d) An open purchase order report will need to be part of the monthly statements in order to track the unbilled but encumbered amounts.

15) Cambridge Redevelopment Authority Payroll
   a) Personnel records shall be maintained in a locked area with access restricted to those staff with human resource or payroll responsibilities.
   b) Executive Director approval is required for both addition to and deletion of names from the payroll listing.
   c) The Executive Director may establish individual salary rates of employees within a Board approved salary range or budgeted allocation for that position.
   d) Board approval is required for the annual salary schedule adoption. The salary schedule is presented in Executive Session. Board approval is done through approval of budgets that incorporate wages as line items.
   e) Straight time, overtime, holiday, personal and major medical amounts paid are all reviewed by the Executive Director prior to preparation of paychecks by the Payroll Services.
   f) Payroll may not be issued without a completed timesheet, reviewed and authorized by the Executive Director.
   g) Payroll is reviewed for accuracy and pay rates by the Bookkeeper or Executive Director prior to issuance.
   h) Payroll checks are to be issued by direct deposit.
   i) Unclaimed checks will be handled in accordance with state regulations.

16) Accounts receivable
   a) Amounts contained in the general accounts receivable are reviewed monthly by the Executive Director.
   b) Write offs of uncollectible accounts receivable requires prior Board approval.
   c) All accounts receivable shall be maintained in the general ledger.

6/18/2014 Adopted
17) Investments
   a) All CRA investments and pledged securities shall be obtained, recorded (including investment
      and interest revenue) and reviewed in accordance with the Cambridge Redevelopment Authority
      Investment Policy.

18) Physical Assets
   a) Board approval is required for real property acquisition.
   b) Perpetual inventory records shall be maintained with periodic counts being performed annually
      at a minimum.
   c) Accounting records will be adjusted as appropriate if differing quantities appear in the
      physical counts.
   d) Office equipment inventories are covered under “contents value” on the Property Insurance
      Policy.
   e) Fixed assets detail records are balanced monthly to general ledger accounts.
   f) Board approval by resolution is required for disposition of assets maintained on the books
      (in accordance with property disposition policy).

19) Travel Policy for Employees or Officials of the CRA
   a) Travel expenses that are expected to exceed $1,000 must be pre-approved by the Chair of the
      Board.
   b) Reimbursement will be provided to the employee or Board member upon the submission of
      paid receipts.
   c) The CRA will not be responsible for travel expenses incurred relative to family members
      or guests of individuals travelling on behalf of the CRA.

20) Use of a Debit Card
   a) There shall be a debit card issued to the Executive Director for the use of purchases under
      $1,000 when the payment process is not practicable.
   b) The debit card may only be used for routine and budgeted expenses.
   c) The Executive Director shall provide to the bookkeeper receipts for charges using the debit
      card and notify the bookkeeper which accounts shall be charged.

21) Community Loan Program
   a) Any program implemented that results in loans being made by the CRA will need Board
      approval.

22) Miscellaneous Provisions
   a) Partisan political activity is prohibited by the CRA personnel.
   b) Federal and State grants will administered to adhere to compliance and reporting
      requirements.
   c) The CRA shall obtain an annual audit of its Financial Statements.
   d) Federal, State and private grants should all be accepted and approved by the Board.

23) Policy changes

6/18/2014 Adopted
a) All policy changes must be approved by a majority of Board members at a public meeting
INTERNAL CONTROL POLICY

PURCHASE TO PAYMENT SUMMARY

Procurement Decision Flow Chart

Is the Contract or Purchase under $10,000?

Yes

Executive Director has the authority to approve (See Procurement Policy Section 1.4)

No

Board of Directors has the authority to approve (See Procurement Policy Section 1.4)

Is the Contract or Purchase approved?

Yes

Work is done and/or goods are received

No

Invoice is received and Voucher for Payment is prepared by Bookkeeper (See Internal Control Policy 11(e))

Is the bill for less than $1,000 where a debit card is being used? (ICP 20 (a, b))

Yes

Receipt is submitted to bookkeeper and signed by Executive Director

No

Voucher is approved and signed by the Executive Director (id, ICP 11(e))

Check is issued and voucher for payment is marked paid to prevent duplicate payments

Check is signed by Treasurer

Ends