

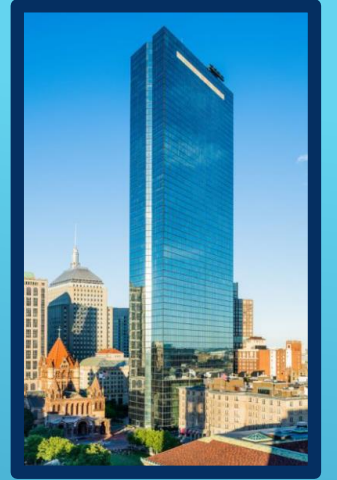
**IMPORTANCE OF MITIGATING RISK TO AVOID LITIGATING LOSS:**

***PROACTIVE TOOLS, MEASURES & APPROACHES  
DECEMBER 2022***



***Edward Travers II***  
***CFS, CICA, CCP, CCA***  
***Manager, Internal Audit***

# ABOUT EDWARD TRAVERS II & BXP




- ▶ **Certified Fraud Specialist (CFS)**
- ▶ **Certified Construction Professional (CCP)**
- ▶ **Certified Construction Auditor (CCA)**
- ▶ **Certified Internal Controls Auditor (CICA)**
- ▶ **Nearly 40 years experience in audit and 30 years in real estate industry**
- ▶ **Prior to BXP, managed due diligence audit for European acquisitions (based in Paris, France)**
- ▶ **Manager of Internal Audit for BXP**
- ▶ **BXP is a publically traded REIT (call sign BXP)**
- ▶ **BXP is the largest REIT in the US with approximately 200 properties in Five Regions**
- ▶ **Boston (55), New York (26), Washington DC (46), San Francisco (38), Los Angeles (27), Seattle (2)**
- ▶ **Typically 10 to 15+ new properties under construction and/or development**
- ▶ **BXP operates in three real estate industries markets**
  - ▶ **Office (majority)**
  - ▶ **Retail**
  - ▶ **Residential**
- ▶ **BXP is a self operated owner, developer, construction, leasing and property management company**

# OBJECTIVE

- ▶ Understanding **Fraud**, Theft and Wrong-doing and how to mitigate the occurrence
- ▶ Understand the core approach of how BXP, the largest REIT in U.S. practices a continuous approach of mitigating (minimizing) the opportunity of risk
- ▶ Review the importance of strong controls
- ▶ Having controls linked to procedures/steps in policies to ensure they are used on a consistent and frequent bases.
- ▶ Mitigating theft, **fraud** and wrongdoing or any costly acts that would result in financial loss directly or indirectly to your organization
- ▶ Who's ensuring it all is working as planned?



## QUESTION #1

- ▶ How many here recognize fraud, theft, and abuse to be real and can occur in any organization at anytime?
- 
- A decorative graphic consisting of several parallel white lines of varying lengths, slanted upwards from left to right, located in the bottom right corner of the slide.

## QUESTION #2

Due to COVID-19...

How many people think fraud, theft and abuse has increased by number of cases, volume of (re)-occurrence (repeat theft), and/or value stolen?

# WHAT DO WE CALL IT?

- Theft

The action or crime of stealing; taking; pocketing; no real planning involved. “Grab and Go”

- Fraud

Wrongful or criminal deception intended to result in financial or personal gain; well planned; needs three components to be called Fraud; Egregious acts

- Wrong-doing

Illegal or dishonest behavior

# THE FRAUD TRIANGLE

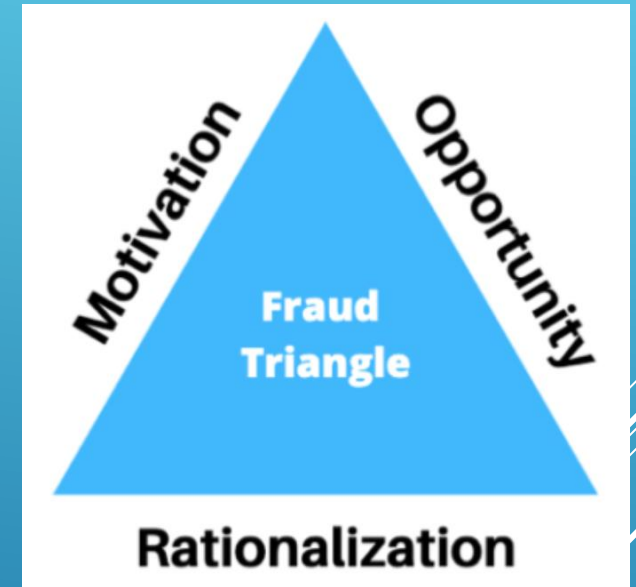
Three conditions required for Fraud to occur:

Typically In this Order:

Motive/Pressure “*financial pressure, addiction*”

Opportunity “*no one is watching*”

Rationalization “*I haven’t received a raise*” / “*It’s only a loan, I’ll pay it back*”



# THE FRAUD COST

- *2021 data from the Federal Trade Commission reveals total fraud losses of \$5.9 billion in the US*
- *There were nearly 6 million reports of fraud made to the FTC in 2021...with 25% reporting a loss*
- *The data represents a 70% increase in fraud losses compared to 2020*
- *The median loss for construction fraud in 2021 was \$200,000*
- *Fraud comes in the forms of:*
  - ❑ *Falsified Payments*
  - ❑ *Bid-Rigging / Bribery (totals nearly 42% of construction fraud)*
  - ❑ *Substituting materials with components of lower quality*
  - ❑ *Embezzlement*
  - ❑ *Manipulation of Payroll Records*
  - ❑ *Billing Schemes*
  - ❑ *Misappropriation of tools and materials*
  - ❑ *Skimming*
- *Almost 90% of those who engage in fraud have no prior record*



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FOR IMMEDIATE RELEASE

Monday, November 14, 2022

## Former Auditor at Newport Beach Commercial Real Estate Agency Arrested on Complaint Alleging He Stole \$2.5 Million from Employer

SANTA ANA, California – A former executive at an Orange County commercial real estate agency was arrested today on a federal criminal complaint alleging a decade-long scheme in which he stole \$2.5 million by submitting fictitious invoices for companies controlled by his family and friends whose services were never performed.

 of Irvine, California, was arrested this morning by special agents with the FBI. He is scheduled to make his initial appearance this afternoon in United States District Court in Santa Ana.

Aggarwal is charged with one count of mail fraud and one count of wire fraud.

According to an affidavit filed with the complaint that was unsealed today, beginning at least in 2012 and continuing through January 2022, Aggarwal used his position at the Newport Beach-based KBS Realty Advisors to embezzle his employer's money.

# TYPES OF PREVENTATIVE MEASURES TO CONSIDER

## ▶ Tools

- ▶ Policies and Procedures
- ▶ Contract/Agreement Procedures
  - ▶ Contract
  - ▶ Master Agreements
  - ▶ Statement of Works
  - ▶ Work Authorization

## ▶ Measurers/Controls

- ▶ Authorization Matrix
- ▶ Segregation of Duties

## ▶ Approach

- ▶ DNU List
- ▶ Approval Process
- ▶ 3<sup>rd</sup> Party/Subcontractor Policies



# WHAT TOOLS:

## POLICIES AND PROCEDURES / AGREEMENT PROCEDURES

- ▶ We all think we have the best policies and procedures
- ▶ We all think we cover all areas important
- ▶ Networking and learning from others
- ▶ Understanding creating and understanding your objectives
- ▶ Creating a Step-by-Step approach that has strong controls but doesn't inhibit the goals of the organization. Strong vs. Flexible
- ▶ Establishing a comfort level what is "material" and what is "non-material"

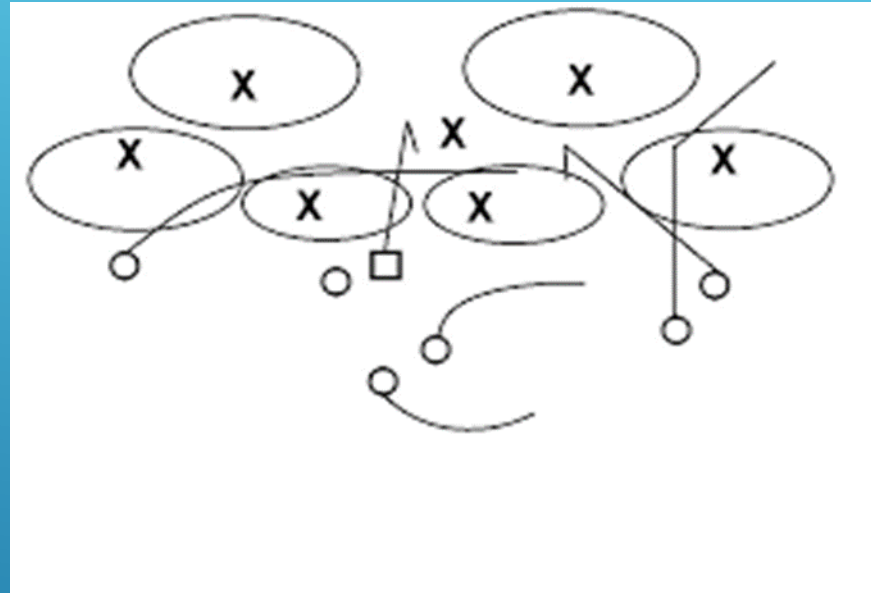


# DEFENSIVE QUESTIONING

- Why is your gut feeling so important?
- How to limit the opportunity?
- What preventative controls can we mitigate?
- **What policies and procedures make sense?**
- “Policing” presence?
- How can training employees help?



# BEST MITIGATING DEFENSE



POLICY

# BIDDING POLICY



# BIDDING PROCEDURE

## **Property Management Contract Bidding Policy**

*(Services and Goods)*

*Last Revised: April 2022*

### **Objective:**

Property Management bidding is the process of solicited vendors submitting proposals demonstrating they are qualified to undertake and manage an operational service and/or provide goods by meeting all contractual requirements in the property management agreement at a competitive price.

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### **Purpose:**

The purpose for following this Policy is to create a fair and transparent competition between potential vendors by conducting a transparent bid process, comparing bids prior to making a vendor selection, ensuring best competitive pricing is achieved, and mitigating the opportunity for fraud.

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### **Qualifying Property Management Services and Goods:**

Boston Properties requires competitive bids for all vendors with a combined value of goods and/or services greater than or anticipated to be greater than \$50,000 to be provided. This requirement includes all types of goods and services and regardless of both being contracted together (e.g. good only, services only or goods and services together).

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### **Policy Preface:**

This Policy consists of three main sections:

- Summary of Property Management Bidding Procedures - an overall summary of the bidding procedures required.
- Detail of Bidding Steps and Procedures - gives a detailed explanation of the bidding procedures required
- Property Management Bidding Exceptions - describes the circumstances when the bidding requirements of this Policy can be waived.

**I. Summary Of Property Management Bidding Procedures**

	Applicable Requirement to be Completed	Total Project Cost				
		Under \$50K	\$50K to \$100K	\$100K to \$5M	\$5M to \$10M	\$10M and Higher
	✓ = Required Step					
1	Pre-Bid Vendor Approval Selection		✓	✓	✓	✓
2	Vendor Vetting				✓	✓
3	Informal Bid Invitation		✓			
4	Request for Proposal (RFP)			✓	✓	✓
5	Receipt of Bids		✓	✓	✓	✓
6	Bid Opening			✓	✓	✓
7	Bid Leveling Analysis and Best and Final			✓	✓	✓
8	Property Management Approval Form to be Completed Prior to Contractor Selection		(a)	✓	✓	✓
9	Post Bid Communication		✓	✓	✓	✓
10	Contract Amendments. Based upon the sum of (x) the cost of the remaining work to be performed plus (y) the cost of the additional work, using the thresholds above determines if different requirements apply to additional work.	✓	✓	✓	✓	✓

(a) PMAF forms are required for threshold \$50K to \$100K only if the region chooses "not to bid" services/goods and obtains written Regional Manager approval.

**Please Note:**

ALL capital expense projects (CapEx) must 1) follow the Construction Contract Bidding Policy, 2) complete the Construction CPR form, and 3) follow the Construction Contract Policy.

**II. Detail Of Bidding Steps And Procedures:**

Numbered items below coincide with the numbered steps in the summary section above, on the prior page.

**1. Pre-Bid Vendor Approval Selection**

- a. Prior to any bidding activity commencing, potential vendors that are expected to be included in the bid invitation needs to be reviewed and approved by the Property Management Senior Vice President/Department Head if they are not included on any preexisting approved contractor list (e.g. Master Agreement) which has been reviewed in accordance with #2 below in the prior twelve (12) months (a "Preapproved Contractor"). The Department Head will need to confirm potential vendors to be invited to bid are not currently on the BXP Vendor Do Not Use (DNU) list first.
- b. If any employee of BXP working on the project has a personal relationship with a bidder that started prior to the bidder doing business with BXP, this relationship must be disclosed to the Property Management Senior Vice President/Department Head, provided that if the Property Management Senior Vice President/Department Head has such a relationship, the disclosure shall be made to the Executive Vice President, Regional Manager and to the Manager of Internal Audit at the Boston Properties corporate office in Boston, MA.
- c. Best efforts must be applied to obtain one-third (1/3) of the vendors invited to bid from a qualified Underrepresented Business Enterprise (UBE). UBE's include a) majority owned Minority, b) Women, c) Disability, d) Veteran, and LGBTQIA+ enterprises. If this requirement is not met, the reason should be documented on the Property Management Approval Form (PMAF).

**2. Vendor Vetting (If the Vendor is not a Preapproved Vendor)**

- a. Review of vendor financials.
- b. Review of vendor past projects.
- c. Contact prior vendor customers for references.
- d. Background check of the vendor and the vendor's manager responsible for the project if a background check has not been performed in the previous twelve (12) months.  
**[INTERNAL AUDIT TO PROVIDE RESOURCE]**
- e. Companies or Individuals invited to bid are not identified on the BXP Do Not Use (DNU) List or known association with any other company/individual on the DNU list.
- f. All companies currently not in BXP's vendor database must have a complete New Vendor Form completed before goods or services commence.
- g. All companies currently not in BXP's vendor database must be able to pass the Federal Government Tax Identification Number (TIN) Test before any award is given or any work commences. Conducted as part of the New Vendor Set Up procedure.
- h. All companies currently not in the BXP's vendor database must be able to pass the Federal Government Office of Foreign Assets Control (OFAC) test before any award is given or any work commences. Conducted as part of the New Vendor Set Up procedure.

**3. Informal Bid Invitation:**

- a. An informal bid invitation consist of BXP employee contacting vendor by any means (i.e. email, telephone call, texting, mail, in-person, standard mail, etc.). No formal written invitation letter is required. The communication however should be consistent for each vendor we are soliciting a proposal. Note: although bid invitation is informal, vendor bid information submitted must be in hardcopy or email attachments in order for it to be retained.

**4. Request for Proposal (RFP):**

- a. A RFP must be sent to a minimum of three (3) qualified vendors which includes or satisfies the following:
  - 1. The date the Invitation was sent out.
  - 2. Be addressed to a specific contractor being invited.
  - 3. Be signed by a qualifying individual knowledgeable of the project (*not an administrative assistant*).
  - 4. The immediate supervisor or above, of the individual signing and sending the RFP must be Cc'd.
  - 5. Instructions regarding the due date and time bids are required to be returned.
  - 6. A Bid Submittal sheet is required to be returned with the bid.
  - 7. Two (2) BXP individuals should each receive a copy of the bids.
  - 8. Returned bids should be delivered sealed or by e-mail (date/time stamp) to the same two individuals identified in Step #7 directly above.
  - 9. Vendor financial, operational, references and any other requested information regarding their company's strength and ability to complete the project, if the contractor is not a Preapproved Vendor.
  - 10. All Other Bid Documents
  - 11. All attachments or references regarding scope of work, diagrams, project detail explanation, project timeline, due dates, completion date, etc. should be included in all bid packages to all invited contractors.

**5. Receipt of Bids:**

- a. Bids received should be retained in the sealed envelope or package they were delivered in until a formal bid opening meeting is held. Bids may be delivered by e-mail provided that (i) the sender is identified, (ii) the recipient does not share the bid price prior to the bid-opening meeting, (iii) individuals identified as recipients of the bid are both sent proposals.
- b. Bids received should have a received date and signature affixed to the outside of the envelope or package received. Bids delivered by e-mail should automatically contain a date and time stamp and this requirement can be satisfied by printing and retaining the e-mail with the date and time stamp.
- c. If a vendor chooses not to participate in the bid process, Property Management should make all efforts to obtain a written "no interest to bid" disclosure from the vendor. This can be done by means of email and/or written letter. The disclosure should include the vendor's reason for deciding not to bid.
- d. In all cases where a significant number of vendors invited to participate in the bid process chooses not to bid and the remaining number of vendors submitting bids is equal to/or less than 1/3 of the total number of invitees, property management should extend the bid to

additional vendors, following the same bid policy process or explain on the Property Management Approval Form reasons for not extending the bid invitations to other vendors.

**6. Bid Opening:**

- a. For goods and services with a total value over \$5 Million bids should be opened during a formal bid-opening meeting, which includes individuals whom were designated and received the bids, management and a witness (*i.e. administrative assistant*).
- b. Projects with a total value over \$10 Million should have a SVP of Property Management present at the bid-opening meeting.
- c. As each bid is opened during the meeting, each individual should sign and date the bid envelope, submittal letter or actual cover of the bid package. For bids submitted by email, this requirement may be satisfied using a printed copy of the e-mail.
- d. For all projects, one copy of the bid should be retained in the project file.
- e. For all projects, one copy of the bid should be retained with the individual responsible for reviewing all bidding material and making contractor recommendations to management.

**7. Bid Leveling Analysis and Best and Final**

- a. Individual responsible for determining the qualified contractor should review all bid materials from each vendor, compare the requested scope of the project vs. the material received and level off (compare) the vendor's ability to meet all scope of work requirements to be completed, related cost and timeline.
- b. Individuals reviewing the bid documentation should contact vendor bidders to clarify any questions during the bid analysis. If this review results in a revision to the bid, a revised signed bid must be submitted.
- c. All vendors selected to participate in any Best and Final bid procedure should be given the same instructions, time and provided the same information.
- d. Reasons for the selected vendors for participating in a Best and Final process should be documented and retained with bidding information.
- e. Under no circumstances should any vendor bid information be shared with other vendors in the bid process, vendors not in the bid process or any outside person/companies. Only those individuals who are part of the bid process should retain bid information.

**8. Vendor Project Recommendation:**

- a. The individual reviewing the bids should fully complete a Property Management Approval Form (PMAF) and submit along with any analysis documentation to the appropriate management personnel for approval through obtaining physical signature sign off.
- b. If fewer than three bids were received for the project, a full detail explanation must be included on the PMAF. Vendors communicating their removal from the bid process should be documented in writing (email) as to their request and reason.
- c. Signatures on the approval form should be obtained in the order they are listed (e.g. authorization level).
- d. The Regional Manager is the last and final approval signature required, when needed.
- e. For a capital expense projects:
  - i. The Construction Contract Bidding Policy should be followed
  - ii. A CPR form must be completed
- f. A copy of the PMAF (or CPR) form and the bid analysis must be sent to the Manager of Internal Audit at Boston Properties corporate office in Boston, MA.
- g. Please note, the PMAF (or CPR) form is not meant or intended to circumvent the bidding process, but rather to assure by means of documentation and signature that all bid steps have

taken place, competitive pricing is accomplished and to the best of our ability, we have reduced the opportunity of the risk of fraud.

**9. Post Bid Communications**

- a. The award of the winning vendor bid should be notified with a written communication to the company indicating that they have won the bid of vendor to perform the work identified in the bid process.
- b. A “*regret-to-inform you*” letter should be sent to all other companies participating in the bid process, which should include the contact information for Internal Audit if the vendor would like to communicate any concerns regarding the bidding process.

**10. Amendments**

- a. When amending an existing contract, based upon the sum of (x) the cost of the remaining work to be performed under the existing contract plus (y) the cost of the additional work, determine if different requirements apply to the additional work based upon the thresholds in Section I. If it is impractical to satisfy the different requirements based upon the current status of the project, the Regional Manager may approve waiving these requirements using the PMAF or CPR form as provided in Section III of this Policy.

**III. Property Management Bidding Exceptions**

1. If a decision is made to **NOT** bid for a vendor or contractor or if a decision is made that it is impractical to comply with any additional requirement of this Policy resulting from an amendment to the Contract as provided in Section II (10) of this Policy;
  - a. A PMAF (or CPR) form needs to be completed, including a full detail explanation as to why the bid process was circumvented or the requirement was not complied.
  - b. A Regional Manager’s signature is required on the PMAF (or CPR) form.
  - c. The completed and signed PMAF (or CPR) form must be sent to the Manager of Internal Audit at Boston Properties corporate office in Boston, MA.
2. In addition to the foregoing, vendor bidding will not be required to address an emergency for so long as the emergency exists.

**IV. General**

1. The vendor must disclose in written format, if the vendor has any ownership, relationship, or any interest, direct or indirect, in whole or in part, of any kind, with any subcontractor, vendor, individual or any company being considered to work on the project through them, the vendor BXP is hiring.
2. Any knowledge of improper influence regarding the decision to hire a vendor should be communicated to Internal Audit. This includes any form of improper influence by BXP, vendor, contractor, subcontractor or tenant.
3. Boston Properties Property Management Department is required to disclose to Internal Audit any occurrences where the vendor has any of the relationships noted in #1 or #2 directly above.

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*Internal Audit’s audit approach and methodology has been prepared and conducted in accordance with generally accepted auditing standards as recognized by the Institute of Internal Auditors’ International Standards for the Professional Practice of Auditing.*

## PROPERTY MANAGEMENT APPROVAL FORM

**Purpose:** (check all that apply)

- Bid / No Bid** (Complete Section A thru J)
- Contract Approval** (Complete Section A and G - J)
- Changes to Agreement to Provide Services (APS) or Amendment** (Complete Sections A, B, & J)

### Section A – Description:

Property Name(s) & Business Unit(s): *Enter properties / units*

Vendor Selected: *Enter vendor*

Type of Service(s) and/or Goods: *Enter service*

Term of Contract: *Enter time frame* (if more than 3 years, complete Section H)

Total Contract Value: *Enter amount* One Time Cost: *Enter cost* Time & Materials (Estimate): *Enter estimate*

Is this a Multi Building Contract?: Yes  (If Yes selected, explanation required under Section G below)

If bid, please confirm all vendors were vetted through the DNU List prior to sending bid invitations: Yes, Confirmed

If not vetted, please explain why: *Enter text*

### Section B – Bid / No Bid Explanation

(E.g. limited # of vendors, unique service, loss of warranty, etc.)  
(attach additional pages if necessary)

*Enter bid / no bid explanation*

### Section C – Manager(s) that Received Copy of RFP

(cc'd in invitation letter to vendors)

Managers' Names	Managers' Signatures	Date
1. <i>Enter name</i>		<i>Select</i>
2. <i>Enter name</i>		<i>Select</i>

### Section D – Managers that Opened and Reviewed Bids

(minimum of two)

Managers' Names	Managers' Signatures	Date
1. <i>Enter name</i>		<i>Select</i>
2. <i>Enter name</i>		<i>Select</i>

### Section E – UBE Vendors Invited

Did you include one-third (1/3) "Underrepresented Business Enterprise" (UBE) vendors to the bid process?

Note: UBE's include Majority Owned Minority (MOM); Women; Disabled; Veteran and LGBTQIA+ enterprises.

Yes,  If No, please explain below.

UBE Company Name	UBE Contact Name & Phone Number	M.O.M. Women Disabled Veteran LGBTQIA+
1. <i>Enter name</i>	<i>Enter name</i>	<i>Enter name</i>
2. <i>Enter name</i>	<i>Enter name</i>	<i>Enter name</i>
3. <i>Enter name</i>	<i>Enter name</i>	<i>Enter name</i>

Please Explain all reasons why a UBE vendor was not invited to the bid process?

*Enter text*

### Section F – Summary of Bids (Add lines as necessary)

(solicited to a minimum of three vendors, note if any vendors refused to bid)

Vendor Name	Amount	UBE Type (Circle All that Apply)
1. <i>Enter vendor name</i>	<i>Enter amount</i>	M / W / V / D / LGBTQIA+
2. <i>Enter vendor name</i>	<i>Enter amount</i>	M / W / V / D / LGBTQIA+
3. <i>Enter vendor name</i>	<i>Enter amount</i>	M / W / V / D / LGBTQIA+
4. <i>Enter vendor name</i>	<i>Enter amount</i>	M / W / V / D / LGBTQIA+

### Section G – Vendor Selected

- 1) Have the vendor's business and operational qualifications been checked? (a) Yes   
(Including financial capability for contractors with a total contract value in excess of \$1,000,000)

If "Yes" is not selected, No is assumed; please explain: *Enter text*

(a) Business and Operational Qualifications includes the vendor's ability to complete the scope of the contracted services for the agreed upon price over the term of the contract. (E.g. financially sound, operationally has the physical capacity, service knowledgeable, staff, etc.)

- 2) Is the vendor selected the lowest bidder? Yes

If Yes not selected, No is assumed; please explain: *Enter text*

- 3) Is the vendor selected a UBE? Yes

If Yes not selected, No is assumed; please explain: *Enter text*

### Section H – Reason for Multi Building Contract

(attach additional pages if necessary)

*Enter text*

### Section I – Reason for Contract Term More Than 3 Years

(e.g. financial benefit, sole source vendor, limited # of vendors, unique service, loss of warranty, etc.)  
(attach additional pages if necessary)

*Enter text*

### Section J – Approvals

Property Manager: (required)

Date:

Senior Property Manager/Regional Property Manager: (required)

Date:

Head of Property Management: (required)

Date:

Below signatures required in specific circumstances:

Regional Manager: Only if: a) no bid took place; b) term exceeds 3-years; or c) agreement/contract value exceeds \$10M or any combination

Date:

Legal Counsel: (Only if changes to standard BXP Agreement or amendment are made, or if an alternate form of a contract or amendment is used, and only to the extent of changes communicated to Legal)

Date:

# AGREEMENT PROCEDURES

**Property Management  
Vendor Contract Policy**

*(Services and Goods)*

*Last Revised: April 2022*

**Purpose:**

In order to mitigate the risks associated with property management services and goods contracts, it is important that the BXP Legal Department approved Standard Form of Agreement (contract) between Boston Properties (BXP) and the Vendor is used. The standard form, regardless of region, can be found on the Legal Portal. Any deviations to the standard contract is required to be reviewed by the BXP regional legal department for approval. Changes made must be communicated.

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**Policy Preface:**

This policy consists of two sections:

- Summary of Property Management Contract Requirements gives an overall summary of the contract requirements based on the project cost.
- Detail Process of the Property Management Requirements gives a detailed explanation of the contract requirements for each project outlined in the Summary.

**I. Summary of Property Management Contract Requirements**

		<b>Under \$50K</b>	<b>Over \$50K</b>
(a)			
1	Purchase Order Required	✓	
2	Contract for Vendor Required		✓
3	Contract Project Management Approval Form Required per the Property Management Bidding Policy		✓
4	<u>Contract Amendments:</u> Based upon the sum of (x) the cost of the remaining work to be performed under the existing contract plus (y) the cost of the additional work, determine if different requirements apply to documenting the amendment based on the thresholds above	<i>See Above</i>	<i>See Above</i>

✓ = **Applicable Requirement to be Completed**

(a) All thresholds, where a contract is not required, will be required to have a contract if the services or goods associated with the vendor are considered a High Risk under the Insurance Limit Guidelines on the Risk Management Portal.

Note: Contract exceptions regarding contracts in place before services are rendered:

- 1) An emergency situation occurs
- 2) A Master Agreement has been entered into with a vendor in compliance with this Policy.

**II. Detail of Property Management Contract Requirements:**

**1. Contracts are Required:**

Contracts are required for all services and goods based on the threshold requirements outlined above in Section I of this Policy entitled Summary of Construction Contract Requirements.

The BXP Legal Department Standard Form of Agreement should primarily be obtained from Contract Logix. Alternatively, if you are unable to utilize Contract Logix (i.e., vendor does not have access to electronic signatures), this Form of Agreement is also located on the Legal Portal and should be retrieved and used as a hardcopy document. Important Note: Prior used Standard Form of Agreement forms should not be used as it could present a risk of missing updates made periodically.

**2. Approved Forms of Contract**

a. BXP Standard or Customized Contract

It is acceptable to use the BXP Standard Form of Agreement prepared by the BXP Legal Department or a customized BXP form approved by the BXP Legal Department.

b. Vendor Form of Contract

A vendor form of contract can be used if the form is reviewed and approved by the BXP Legal Department.

**3. Amendments:**

a. All changes to the contract must be documented using an amendment. These changes include, but are not limited to:

- i. Changes to scope of work;
- ii. Changes to services and/or goods being purchased;
- iii. Changes to fees, rates or any financial deviations;
- iv. Changes to insurance requirements; and
- v. Changes to the term of the contract.

b. All amendments must be documented using a standard form or customized form approved by the BXP Legal Department

c. When amending an existing contract, determine based on the sum of (x) the cost of the remaining work to be performed under the contract plus (y) the cost of the additional work, if (i) a different form of contract is required by the terms of Section I of this Policy and (ii) a different approver and/or signatory is required by the terms of the Approval Matrix.

**4. Projects Under \$50,000**

- a. All contracts for services (including goods associated with those services) with a total stated or estimated value under \$50,000, and which are not High Risk under the Insurance Limits Guidelines on the Risk Management Portal, do not require a contract;
- b. A Purchase Order (PO) must be completed for such projects if a contract is not used.

**5. Emergencies**

- a. With the approval of the BXP Legal Department, if possible, contracts will not be required to address an emergency for so long as the emergency exists and it is not possible to execute a contract.

**Note: All final fully executed contracts and contract amendments should be retained in the ContractLogix database.**

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*Internal Audit's audit approach and methodology has been prepared and conducted in accordance with generally accepted auditing standards as recognized by the Institute of Internal Auditors' International Standards for the Professional Practice of Auditing.*

# LET'S TALK ABOUT OTHER APPROACHES:

## DNU LIST / APPROVAL PROCESS / 3<sup>RD</sup> PARTY POLICES (SUBS)

- ▶ What's good for your employees should be equally good for outside vendors acting on your organizations behalf.
- ▶ We all have "THAT" list that we don't want to "play" with or even talk about
- ▶ Before moving forward, did you get approval first?



# MEASURERS:

## AUTHORIZATION MATRIX / SEGREGATION OF DUTIES

- ▶ **Who can do what?**
- ▶ **Who can do what up to what threshold?**
- ▶ **Who can do what up to what threshold before going to someone else?**





# OTHER AREAS TO CONSIDER

- ▶ **Payables – Invoice process; Check Processing, Wire Processing, Check Signing (threshold)**
- ▶ **Segregation of Duties (governance)**
- ▶ **Vendor Set Up**
- ▶ **3<sup>rd</sup> Party Insurance Requirement for indemnification**
- ▶ **Transparency**
- ▶ **Credit Card, Pcard, Employee Reimbursement processes**
- ▶ **Procurement – inventory of goods, office purchases, equipment, courier services, etc.**
- ▶ **Controls that operate through policies but don't inhibit what we hired people to do**
- ▶ **What environment do you have?**
- ▶ **What office/family community/culture do you have?**
- ▶ **Is your compensation competitive**
  - ▶ **Salary**
  - ▶ **Bonus Plan**
  - ▶ **Medical, Dental, vision**
  - ▶ **Retirement Plan**
  - ▶ **Flexible Hours**
  - ▶ **Are you a Micro or Macro Manager**



# WHO'S JOB IS IT TO BE WATCHING?

- ▶ **Everyone! Who's everyone you ask?**
  - ▶ **Executives** – Own the responsibility
  - ▶ **Management** – Executives rely on
  - ▶ **Employees** – power in numbers, Code of Conduct / Code of Ethics
  - ▶ **Outside vendors** – managing as we do inside

- ▶ **INTERNAL AUDIT**

- ▶ Independents
- ▶ Public companies required to have
- ▶ Private companies should consider
- ▶ Visibility / Presence / Awareness
- ▶ Availability / Assistance / Information
- ▶ Gate Keepers of governance
- ▶ Manage Controls



# LET'S RECAP:

## TYPES OF PREVENTATIVE MEASURES TO CONSIDER

### ▶ Tools

- ▶ Policies and Procedures
- ▶ Contract/Agreement Procedures
  - ▶ Contract
  - ▶ Master Agreements
  - ▶ Statement of Works
  - ▶ Work Authorization

### ▶ Measurers/Controls

- ▶ Authorization Matrix
- ▶ Segregation of Duties

### ▶ Approach

- ▶ DNU List
- ▶ Approval Process
- ▶ 3<sup>rd</sup> Party/Subcontractor Policies



how  
who how ? where ? when !  
what ! when why  
how who what how why  
**Questions!**  
? ! ? how where who ! how where  
who ! why what how when what  
? how why what ? how how ? why?  
! when ? why ! ! where ! when





**bxp**



*Thank you.*