



Town of Abington

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

January 2002





INTRODUCTION

At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the Town of Abington.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits, the team interviewed the members of the Board of Selectmen, the treasurer/collector, deputy assessor, accountant and staff members, as available, in each office. Among others interviewed were computer administrators, members of the finance and capital improvement committees, water department and the town's private auditors.

DLS staff examined such documents as the tax recapitulation sheet, town reports and warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town by-laws and various job descriptions as well as other assorted financial records. Internal memoranda and other materials were also provided to us by the town.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the town's warrant, budget and capital planning procedures; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the Board of Selectmen, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various town boards, committees and officials.

EXECUTIVE SUMMARY

Ten years ago, the Department of Revenue (DOR) completed its first financial management review for the town of Abington. That report focused on a serious need for centralized management, greater coordination of finance officers and staff training. Turnover was an issue, as was the state of the town's record keeping within finance offices and aspects of its fiscal management practices.

The June 1991 report stated, in part,

"At this point, over twenty years after the adoption of the charter, the need for strong financial management has never been greater. In the current fiscal climate, with the recent cuts in state aid and the poor regional economy, efficient governmental operations are paramount.

"In Abington, a variety of recent financial management difficulties have affected the community's ability to manage effectively in this harsh fiscal environment. These problems include, but are not limited to, disruption in a key financial office (treasurer), lack of coordinated financial management within the town's decentralized form of government, and the inability to generate comprehensive financial information."

Specific recommendations cited the need for a system to reconcile cash and receivables, the importance of a cash book, and regular financial reports as internal control mechanisms. The review addressed the need for coordination of the budget process, for long-term capital planning and for realistic multi-year forecasting. Ten years ago, we challenged the town "to clearly identify which individual(s) have responsibility for coordinating financial management" and recommended consolidating those responsibilities in the executive secretary as specified under the town charter.

The goal of our recommendations then was to help the town preserve a system of checks and balances through sound financial management. Those checks and balances ensure consistency in the financial data used by each office and make certain that account balances are accurate throughout the fiscal year and in year-end financial statements. When these internal controls are not maintained, the system breaks down, the reliability of the town's financial data is placed in doubt and the safety of town assets may be compromised.

Although, there is some evidence of progress with the addition of a new executive secretary and new accountant, now as we complete our second financial management review for the town in ten years, many circumstances are unchanged. The town's investment in personnel, together with its outlay for a new town hall and in computer technology upgrades, is substantial and raises expectations that professionalism and stability in town government will increase as well.

However, overall improvement in the town's management of its finances has been slow in coming and events of the last few years might be viewed, in some respects, as steps backward. As in the past, failure to accurately reconcile cash and receivables emerges as a major issue casting doubt on even the most routine financial information and reports. Of equal concern is the duration and persistence of the town's fiscal ills which point to a breakdown in checks and balances, and suggest ambivalence toward resolving on-going problems.

Over the last decade, there are repeated examples where internal controls particularly in relation to reconciliations of cash, receivables and overlay balances have been generally ineffective or neglected in Abington. These issues continually reappear and pose problems, as well, for private auditors of the town's books. The recently completed audit for FY00 is qualified by so-called "reportable conditions" ¹ and "material weaknesses." ² Discussion centers on a \$156,919 FY00 year-end cash variance between the treasurer's records and the accountant's general ledger. A different audit firm continues to struggle to close the town's books for FY01, and may identify additional deficiencies in the town's financial management practices.

In the remainder of this executive summary and in the various sections of this report, we discuss our analysis of the town's financial management practices and identify areas where the town should focus its attention if it chooses to move forward. It is apparent that the failure of the town to produce timely, accurate financial information has affected its ability to craft sound budgets and implement thoughtful long-range financial policies.

By using free cash that couldn't be certified and by overestimating lottery receipts by \$207,000, the town approved a FY02 budget relying on revenue that may not materialize. A \$500,000 budget deficit resulted which had to be addressed with mid-year cuts at the November Special Town Meeting. In fact, DOR has not been able to certify the town's free cash in each of the last two years because of cash variances between the accountant's records and those of the treasurer/collector.

In the last three fiscal years (FY00-FY02), the town has been unable to set its tax rate and mail its bills on time. Fund deficits, invalid fund transfers and use of non-existent revenues have produced out-of-balance budgets and caused DOR to reject the town's Recap Sheet each year. More importantly, the recurring pattern has called into question the reliability of the town's financial information and prompted DOR to place sanctions on the town. Abington is one of a few Massachusetts communities where DOR will not certify its free cash or approve its tax rate unless and until an audit by an independent certified public accountant is completed.

¹ A "reportable condition" reflects a significant deficiency in internal financial controls.

² A "material weakness" is a reportable condition of such magnitude that it could potentially result in a material misstatement of financial conditions.

In this environment, the town's ability to plan in the short or long-term is compromised. For example, entering the budget process, the town decision-makers have not historically had access to the financial resources necessary to make meaningful revenue projections or to produce a balanced budget. After a period of unprecedented economic growth when communities have built-up reserves, Abington has not, nor does it have a policy to do so in the future. Due to its funding mechanism (free cash), the capital improvement appropriation fluctuates dramatically from year-to-year, and more recently has suffered in a manner so disproportionate to other budgets that the program's five-year needs projection is a non-factor.

In this report, we respond with a series of recommendations that are specific to well-defined problems arising from our review of the town's financial management practices. In many instances, our recommendations are familiar, restating what was presented ten years ago, and repeating what town leaders have heard since our last report. Whether or not the town is more successful today in making the decisions necessary to gain control of its finances, depends as well on its willingness to address important underlying issues.

A commitment to policies that establish internal financial controls and to a leadership structure that will ensure execution of those policies are critical first steps. By committing resources to finance offices, insisting on sound financial controls, having regular audits and implementing audit recommendations, the selectmen can act to strengthen financial checks and balances. With additional fiscal responsibilities, an executive secretary can foster communication and cooperation between finance officers, and oversee implementation of internal control procedures such as monthly reconciliations of cash, receivables and overlay balances. Simple diligence in the maintenance of routine records and better efforts to communicate by finance officers can ultimately help restore confidence in financial data, benefit the budget process, and improve the town's ability to set a tax rate.

However, even having taken these steps, the current structure of government undermines fiscal initiatives and a stronger role for the executive secretary. In particular, a mix of elected and appointed officers raises issues of accountability, disrupts lines of authority and, as a result, runs counter to the goals of centralized management. Therefore, following the trend of many Massachusetts communities, Abington should begin to address this issue by converting the elected treasurer/collector to an appointed position, and in the long run, consider similar action relative to other elected boards.

Conclusion - After an extended period of personnel instability and ineffective financial management practices, the town has made some advancements which provide reasons to believe Abington can get control of its finances. Beyond personnel changes, the town has created a positive work environment for employees and more responsive services for residents by investing in a new municipal building and \$750,000 in technology upgrades. Even so, the

lingering fact is that, over ten years, the town has not accomplished nearly enough to improve the management of town finances in a measurable way.

At some level, residents, voters and town meeting must demand and commit resources toward improving financial management. Selectmen must set the tone for a government with good financial controls, where timely and accurate financial information is available and used to develop sound policy. This involves contingency and long range planning, building reserves, maximizing revenues and minimizing costs. Finally, the finance officers, under the direction of the executive secretary must implement the fundamental procedures necessary to accurately process the transactions of town government.

A summary of our findings and recommendations follow.

Financial Management - The town of Abington faces financial management issues that have persisted since our first financial management review. They are borne out of an inability at the policy-making, management and operational levels of government to set-out a course, accomplish routine tasks and fulfill obligatory responsibilities. As worrisome as immediate problems are, however, unless attention is directed to underlying causes, the town will not gain tighter control over its finances. Given that ten years have passed with little measurable progress, the time has also come for the town to confront its issues with stronger remedies.

Our conclusions address those underlying causes with recommendations concerning formal policies on reserves, funding capital projects and on the production of regular financial reports and long-term revenue and expenditure forecasts. On the operational level, individual finance officers must be diligent in the performance of all their responsibilities. Effectively functioning as chief financial officer, the executive secretary is charged with overseeing and directing the town's financial management. Significantly, however, the mix of elected and appointed finance officers serves as an obstacle and hampers his ability to execute policies, programs and procedures. Therefore, as an initial step, we recommend that the town convert the treasurer/collector position to an appointive office.

Treasurer/Collector - A long-term view of the treasurer/collector operation reveals the need for a more diligent, focused and consistent approach to the primary responsibilities of the office. While external factors, particularly personnel turnover, can be a disruption, the town needs a higher level of performance from this important finance office.

The office should be better at getting tax payment checks deposited, issuing demand notices, executing tax takings and maintaining control records, including debt schedules. Together with regular and accurate reconciliations of cash and receivables, these procedures function as important checks and balances in the management of taxpayer dollars. Therefore, the

treasurer/collector must continually maintain control records, complete reconciliations and address discrepancies between his control records and the general ledger.

Our recommendations focus on improving the collection process and implementing a program to reduce tax titles. We emphasize the importance of maintaining a receivable control, reconciling internally and keeping debt-related schedules. We also recommend changes to the way water and sewer payments are currently received. At the same time, citing a need for additional resources, we recommend that money be made available to allow the treasurer/collector to contract with a lockbox service, and we recommend the town approve his request for a staff increase of one full-time, person.

Accountant - High turnover in the accountant's office has contributed, to some degree, to the decline of internal financial controls. Now, the town has invested in the services of a new, full-time accountant with the expectation that deficiencies cited by private audits firms can be corrected. It is also hoped that this appointment will lead to stability in the office. With the support of the executive secretary and endorsement of the board of selectmen, the accountant can play an instrumental role in an overall program to re-institute sound fiscal management practices and internal controls to town business.

Although the accountant has taken action in this direction, by way of support and emphasis, we recommend regular meetings with the treasurer/collector to reconcile cash and receivables. We endorse implementation of the KVS software in the office as soon as possible and recommend the accountant consider and plan for the implementation of GASB 34.

Assessors - Overall the assessors' office is equipped to effectively maintain ownership records, property data files, and to provide over the counter service to the public. Computer systems and software have been upgraded and programs are in place to ensure completion of triennial revaluations and a cyclical inspection program. However, the office has not implemented a program of interim year property value adjustments. The deputy assessor has improved office record keeping practices relative to the issuance of abatements and exemptions, but must incorporate that information into a control record so that overlay balances can be continually monitored. With accurate, up-to-date balance information, the legal purpose of the account can be satisfied and imprudent or inappropriate transfers-out can be discouraged.

Accordingly, we recommend that the assessors initiate a program of interim year valuation adjustments. As an essential task, we also suggest that the deputy assessor monitor and regularly adjust overlay balances. With the town's transition from a semi-annual to a quarterly tax billing cycle, and due to past delays in mailing tax bills, planning becomes an issue.

Computers and Technology - Clearly, fiscal issues involving receivable balances and the inability to close books for FY00 and FY01 have hampered the installation of the KVS software in the treasurer's and accountant's offices. However, for all practical purposes, the town has no formal technology program or plan to fully implement software, train staff, or provide a high level of computer support. In fact, at a time when other communities are expending resources to meet a continually expanding technology need and to gain efficiencies, Abington is cutting back. In this context, it does not seem likely that two people, on less than a part-time basis, can meet the technology demands of the town and its personnel.

We recommend that the town commit additional resources to enhance technology support. At the very least, it should revisit options to increase the on-site presence of a person at town hall whose sole responsibility is computer and technology support. Someone should also be assigned responsibility for the installation of the KVS software in the treasurer's and accountant's offices. Under any circumstance, discrepancies between the assessors' commitment of taxes and totals derived from printed tax bills should be further investigated and resolved.

SUMMARY OF PRIMARY REPORT RECOMMENDATIONS

- 1) *Financial Management* - Convert treasurer/collector to an appointed office. [page 10]
- 2) *Financial Management* - Expand the financial management responsibilities of the executive secretary. [page 11]
- 3) *Financial Management* - Establish reserves and a recurring funding source for capital improvements. [page 12]
- 4) *Financial Management* - Initiate revenue and expenditure forecasting. [page 13]
- 5) *Treasurer/Collector* - Improve the collection process. [page 17]
- 6) *Treasurer/Collector* - Commit to reducing tax titles. [page 18]
- 7) *Treasurer/Collector* - Reconcile cash and receivables. [page 19]
- 8) *Treasurer/Collector* - Maintain debt and debt service schedules. [page 20]
- 9) *Treasurer/Collector* - Collect water and sewer payments. [page 21]
- 10) *Treasurer/Collector* - Increase staffing level. [page 21]
- 11) *Accountant* - Initiate a program to reconcile cash and receivables. [page 24]
- 12) *Accountant* - Install and implement the KVS software. [page 24]
- 13) *Accountant* - Prepare for GASB 34 implementation. [page 25]
- 14) *Assessing* - Initiate an interim year property value adjustment program. [page 27]
- 15) *Assessing* - Monitor overlay balances. [page 28]
- 16) *Computers/Technology* - Commit resources to computer technology support. [page 30]
- 17) *Computers/Technology* - Fully implement KVS software. Train staff. [page 31]
- 18) *Computers/Technology* - Address tax bill data conversion discrepancies. [page 31]

FINANCIAL MANAGEMENT

The structure of town government in Abington and guidelines for its financial management are defined in the local charter and by-laws. A five-member, part-time board of selectmen is the primary policy making body while the day-to-day management of town affairs is placed in the hands of an executive secretary. Important fiscal and fiduciary responsibilities are otherwise carried out by the treasurer/collector, a combined and elected office; the accountant who is appointed by the selectmen; and the deputy assessor who is appointed by the three-member, elected board of assessors. The contributions of the finance committee and capital planning committee are most visible during the budget process. Both committees are appointed. Other elected officials include the water commissioners, sewer commissioners, board of health, parks and recreation commissioner and planning board.

Within this mix of elected and appointed officers, boards and committees, and in some opinions, due to a history of high turnover in both the executive secretary and accountant positions, the financial management of the town has suffered. Its problems are equally attributable to breakdowns at policy-making, management and operational levels of government, much of which is detailed in other sections of this report.

The town's failure to implement an effective financial management program is best illustrated by its inability to set a tax rate in the last three fiscal years. In FY00, DOR rejected the town's Recap Sheet citing defective town meeting votes involving current year appropriations and the treatment of receipts. The pro forma Recap Sheet submitted to DOR to set the FY01 tax rate was rejected because it failed to reflect a balanced budget. Appropriations from water and sewer funds were questioned and reference was made to the "existence of fund deficits over the last few years." Tax bills were finally mailed in late June 2001 at the end of the fiscal year. As of January 2002, approval of the FY02 tax rate awaits submission of private audits for FY00 and FY01. Among other comments, the FY00 audit identifies a \$156,919 cash variance between the treasurer's records and the accountant's general ledger as a major issue. The FY01 audit is not complete, but is expected to raise serious concerns related to receivables.

The budget process is clearly defined, and although opinion varies as to its procedural effectiveness, the absence of financial resources or formal financial policies have resulted in major backtracking to resolve deficits. Throughout, the lack of accountability and communication between and among town finance officers has hampered the completion of reconciliations, and undermined the reliability of town records.

In truth, the performance of the town government relative to financial management over the last ten years is anything but an endorsement of the status quo and current structure.

FINDING 1: CONVERT TREASURER/COLLECTOR TO AN ELECTIVE OFFICE

In our financial management review ten years ago, and in this report, we advocate a more centralized structure of government for Abington. To their credit, the board of selectmen and town meeting recognized changing demands on the office and took initial steps to convert a generally weak executive secretary role into a stronger town administrator position. With the appointment of the current executive secretary, we are hopeful that a higher level of management oversight and fiscal accountability have been brought to town hall on a full-time basis.

However, the inherent characteristics of the government structure in Abington work counter to these purposes. Specifically, when finance officers are elected, the ability of the town's central management authority to establish across-the-board accountability to the same standards among elected as well as all other appointed officers, is diminished. Ultimately, the chances for local government to function best in managing its finances are substantially improved where there is consistency among finance officers in terms of communication, commitment and accountability.

RECOMMENDATION 1: CONVERT TREASURER/COLLECTOR TO AN APPOINTED OFFICE

We recommend that the town convert the elected treasurer/collector position to an appointed position. Under the provisions of MGL Ch. 41 §1B, the treasurer/collector can be made an appointed position by majority vote of town meeting and subsequent acceptance by the voters at a town election. By statute, the selectmen have the power of appointment, but the then current, elected office holder would serve to the end of his term.

A clear trend has emerged among Massachusetts communities in favor of appointed positions. Most act under a prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, should be appointed. Individually or combined, the treasurer and collector positions are operational in nature. Looking long-term, the town interests are best served by expanding, to the extent possible, the pool from which a prospective candidate for a finance officer position is likely to emerge. The recruitment, open interview and appointment process is more likely to attract a person with the strongest credentials and/or most relevant professional experience.

***FINDING 2: EXPAND THE FINANCIAL MANAGEMENT RESPONSIBILITIES OF
THE EXECUTIVE SECRETARY***

In recent years, the town of Abington has experienced continual difficulty completing reconciliations of cash and receivables. It has failed to submit required reports to the DOR in a timely fashion including the Schedule A, Recap Sheet and Balance Sheet. It has been unable to mail its tax bills on time. Private auditors have only now approached the point where they can close the town's books for FY00 and FY01 which ended six and 18 months ago. Because of its financial deficiencies, the town is under close scrutiny by DOR.

By charter language and among other duties, the executive secretary is charged with supervising all administrative functions under his control; preparing and submitting an annual budget and capital improvements program; keeping full and complete financial records; rendering a full financial report to the selectmen at the end of the year; and keeping the selectmen informed as to the financial condition of the town. By job definition, the executive secretary is the chief executive and administrative officer of the town, as well as its chief financial officer.

***RECOMMENDATION 2: EXPAND THE FINANCIAL MANAGEMENT RESPONSIBILITIES OF
THE EXECUTIVE SECRETARY***

We recommend that the town consolidate financial management responsibilities in the executive secretary position. Overall management of the town's finances requires day-to-day attention and, in our view, is best placed with the executive secretary. Functioning in this role would be a natural extension of the fiscal responsibilities already assigned to him in charter language and by job description. Among the alternatives (i.e., finance director, assistant executive secretary for finance), this course of action clarifies lines of authority, requires no additional cost and no further by-law changes.

As chief financial officer, the executive secretary would oversee the accountant and treasurer/collector and otherwise supervise all matters relating to municipal finance on a day-to-day basis. He would execute the financial policies issued by the board of selectmen and finance committee, and would report periodically, or when requested, on the financial condition of the town. With fiscal responsibilities concentrated in one person, there would be greater assurance that requisite reports are produced, tax bills are processed and all other financial services and activities are accomplished.

***FINDING 3: ESTABLISH RESERVES AND RECURRING FUNDING SOURCE FOR
CAPITAL IMPROVEMENTS***

Reserves - During a prolonged period of regional economic growth and prosperity, many Massachusetts communities have established formal policies and built reserves in anticipation of less certain times. Abington was not one that took advantage of this opportunity. Over the last ten years, the town has substantially depleted its stabilization fund and chosen not to use its free cash as a means to fund long-term reserves. To make matters worse, the town has not received certification of its free cash in either of the last two fiscal years.

Capital Improvements - The town has a six-member, capital improvement committee which has formalized a process for evaluating and prioritizing capital needs as presented annually by the various departments and in a five year plan. With the exception of ambulance receipts which flow back to the fire department, funding for capital projects is drawn exclusively from free cash. As part of its review, the capital improvements committee meets with departmental heads, and based on the selectmen's estimate of available free cash, submits its recommendations to the board and FinCom for inclusion in a Special Town Meeting warrant.

Unlike annual budget items, capital expenditures are dependent on the availability and volatility of free cash. As such, the level of capital funding can fluctuate from year-to-year much more dramatically than annual budget line items. Because the town has had no free cash certified in the last two years, capital expenditures have been reduced to zero.

***RECOMMENDATION 3: ESTABLISH RESERVES AND RECURRING FUNDING SOURCE FOR
CAPITAL IMPROVEMENTS***

We recommend that the town establish a recurring funding source for capital improvements. In order to budget on a prospective basis, we recommend that the town adopt a permanent policy for consistent annual funding for capital improvements that incorporates, in part, the following:

- 1) Establishes a policy that sets the expenditure level for capital improvement projects (i.e., a percentage of total prior year receipts, a percentage of total proposed budget, a fixed amount that changes annually with budget guidelines, etc.);
- 2) Provides that the town's annual budget includes a capital expenditure article;
- 3) Identifies in the article individual projects recommended for funding as well as those rejected, the amounts originally requested by the department including schools, the expenditures recommended for each project as part of the town's annual budget appropriation, and the funding source for each recommended project;

We recommend that the town establish and implement reserve policies. Despite perceptions of the town's ability to divert funds, a necessary part of a sound financial policy involves a statement concerning reserves. Healthy reserve balances are an important indicator of whether the town is living within its means and a measure of stability, particularly for credit rating agencies.

In formulating a reserve policy for Abington, we recommend the town policy-makers include the following among their considerations. (We assume in this recommendation that free cash is no longer used as the sole source to fund capital projects):

- 1) Identify target levels for the stabilization fund, free cash and finance committee reserve in a total dollar amount or as a percentage of the total annual budget.
- 2) Use excess free cash, that is, the amount that exceeds the free cash target level, as a funding source for stabilization or one-time capital projects. Use revenue from a recurring income source, such as rental receipts, for the same purpose. Otherwise, develop a schedule of escalating annual appropriations to reach target funding levels for reserves gradually over time.
- 3) Restrict the use of the stabilization fund to non-recurring expenditures and in an amount above a certain dollar threshold. Set similar guidelines on use of free cash.
- 4) Establish guidelines for the use of surplus revenue which is available after reserves are funded, i.e., restrict its use to non-recurring expenditures, to tax levy relief, etc.

FINDING 4: INITIATE REVENUE / EXPENDITURE FORECASTING

Revenue and expenditure forecasting is an important task that works hand-in-hand with capital planning and debt management in developing a strong fiscal blueprint for the town. Long-range forecasting contributes in a significant way to the annual budget process by helping the town determine whether it should reduce, level fund or expand services. Realistic forecasting clarifies revenue and expenditure potential, and maximizes the town's ability to plan future programs, services and projects. Currently, no revenue and expenditure projections extend beyond one year.

RECOMMENDATION 4: INITIATE REVENUE / EXPENDITURE FORECASTING

We recommend that the finance officers group develop and annually update a five-year revenue/expenditure forecast. Responsibility for gathering current and historic data, and for making initial assumptions about future trends would fall to the executive secretary. Forecasts should be laid-out on a spreadsheet displaying two-to-three years of historic data for major revenue and expenditure categories. The five-year projection should reflect past budget trends,

anticipate program additions and deletions, incorporate present capital projects and future needs, and consider economic trends. When the town closes its books at the end of each fiscal year, and before the budget process begins, the finance officers groups should review the past year's budget experience, then expand and adjust its remaining annual projections as warranted. The long-term projection should be made available to the selectmen as they formulate budget guidelines, and to the finance committee as it reviews the annual budget.

TREASURER/COLLECTOR'S OFFICE

The Abington offices of the treasurer and the collector are combined into a single, elected position which has been occupied by the same person since 1991. With his re-election, the treasurer/collector will serve until 2003. Until recently, the office included a staff of four, but two part-time clerks resigned in August and November 2001, leaving two, full-time clerks to support both the treasurer and collector functions. Although each has experience in town government and is cross-trained in the office, the treasurer/collector sought to enhance his staffing component by converting the part-time slots into a third, full-time position. The proposal was not approved and the two, part-time positions currently remain vacant.

For now, the three person office is responsible for collections that typically involve 4,824 real estate parcels and 484 personal property accounts, approximately 12,250 motor vehicle excise bills, and about 50% of the 30,000 water and sewer bills mailed annually. The town is on a semi-annual billing cycle for real and personal property taxes, but moves to quarterly billing beginning in FY03. Also in each year, the office processes 670 municipal lien certificates, on average. In FY01, final tax bills were mailed late (June 2001) and demands have not yet been made on delinquent taxpayers. However, tax takings have not been executed since FY98. As of June 30, 2000 and excluding fees and interest, property tax receivables had a dollar value of \$1,086,791, while tax title accounts totaled \$675,283. The audit for FY01 is not yet complete and reliable receivable and tax title balances are not available.

The treasurer/collector's office currently relies on a mix of software applications for various functions. Accounts receivable software developed by KVS Information Systems (Williamsville, NY) was installed in July 2000 for collections, but historical data prior to 2000 remains on the predecessor, Arlington Data system. General receipts are managed on the treasurer's side on the older Arlington Data system, which is due to be upgraded to KVS. For tax title administration, a third software application developed by Vadar Systems, Inc. (Maynard, MA) is used. Because past collection data are stored on both Arlington Data and KVS systems, municipal lien processing, turnover reporting and other data transferring between and among the software applications require manual, re-keying of information. Delays in the installation of the KVS software in the accountant's office prevents the immediate, accurate electronic transfer of data from the treasurer/collector, and the absence of a fully operational town hall computer network denies efficiencies in moving data between and among all other offices.

As one of two persons providing computer systems assistance to town hall offices, the treasurer/collector understands and is proficient in resident software applications. However, the role as a technology advisor apparently draws him away from in-office duties, and together with recent staffing losses, delays or prevents the completion of critical financial duties. Frequent

turnover in the accountant's position has also presented problems, particularly involving the reconciliation of cash and receivables.

Under these circumstances and during a generally unsettled period, the successful and timely completion of primary office functions is an imperative. Despite past instability in the accountant's office, the treasurer/collector has the means to reconcile his cash accounts with bank statements and to maintain receivable control records. He can maintain an independent record of the town's debt and debt service .

On the collector side, an important responsibility is to collect, post and deposit tax receipts and other payments as quickly as possible. Toward this end, the efficient utilization of staff, the maximum use of technology and the commitment to a set of procedures are essential, but not always occurring. Once the payment period closes for final tax bills, priority should be placed on the issuance of demand letters to tax delinquents and execution of tax takings.

As he oversees the operation of the office, the collector should re-examine procedural structure and the controls necessary to ensure that checks and balances remain in tact. Particular attention should be directed to the receivables control record. On the treasurer side, the control record is in the form of a cash book which documents the movement of money into and out of town accounts. Among other responsibilities, the treasurer monitors the cash flow needs of the town, issues temporary and long term debt when necessary and maintains detailed records of borrowing activity.

When the treasurer and collector offices are not operating as designed within the financial management framework of the town, important internal controls are jeopardized. When communication with other finance officers also suffers, financial checks and balances are similarly at risk.

FINDING 1: IMPROVE THE COLLECTION PROCESS

All payments to the town for real and personal property taxes, motor vehicle excise and about half of the water/sewer bills are received at the collector's office, mostly in the form of checks. The town does not benefit from the automation offered by a lockbox, nor from the KVS bill scanning software it purchased, but has not yet installed. Consequently, as a matter of practice, payments received over the counter and by mail are manually posted, at a later time, to the taxpayers account record in KVS. The deposit of checks are also delayed and, during peak tax collection periods, may not actually reach town accounts for up to two weeks.

RECOMMENDATION 1: IMPROVE THE COLLECTION PROCESS

We recommend that the collector contract for a lockbox service, install and utilize the KVS scanning devices in the office, and deposit all receipts on a daily basis. A number of financial institutions offer lock box services to Massachusetts municipalities generally on a rate per piece basis. Under an agreed upon set of protocols, the lockbox service receives tax or other payments, deposits checks and returns daily receipt reports, typically on disk, to the client community during the billing cycle. To post the payments, the town merely uploads information from the disk to its accounts receivable software. As a major benefit, the service frees-up staff time by reducing over-the-counter and mail payments at the collector's office. The process makes posting automatic, accelerates deposits, makes funds available sooner and improves investment earnings. Additional interest earned and efficiencies gained help offset the cost to the town for the service. However, a successful lockbox operation also relies on a certain amount of public relations. The town should seek ways to inform the public and encourage their use of the lockbox in returning tax payments.

We also recommend that staff post remaining over-the-counter payments into the KVS software at the time of receipt. Clerks can manually key-in information at the counter, but to further automate the process, the town should install the KVS scanning software and devices it already owns. With training, staff can process payments immediately and accurately, reduce the potential for manual posting errors and improve the overall efficiency of the office.

At day's end, batch reports of receipts generated by KVS, in gross and/or by year and tax type (real estate, personal property, motor vehicle, etc.), are compared to a tape summing corresponding checks to be deposited. If the KVS report and the tape match, entries are permanently posted, money is ready for immediate deposit and a detailed turnover is prepared. Unusual items, cash receipts and payments received by mail can be set aside for closer examination, but should still be posted and deposited by the end of the day.

A time period at the end of the day, and possibly at mid-day, should be set aside for a staff person to prepare bank deposits and reconcile tape totals with KVS receipt reports. During these periods, the staff person would be relieved of counter or telephone duty. If possible, an area of privacy should be located for the task.

FINDING 2: COMMIT TO REDUCE TAX TITLES

According to the treasurer/collector, demand letters have been routinely mailed to delinquent taxpayers in past years, but are delayed for FY01 because the town's final tax bill was not sent out until the end of June. Of greater concern, however, is that no property has been placed in tax title since FY98 and current receivables date back to the 1970s. As a result, the town is denied potential revenue and fails to create an aggressive collections environment. As bond

rating agencies take notice, the town runs the risk of a downward adjustment in its credit rating and higher interest rates on future borrowing.

In addition to issues of fairness, there are other benefits to a deliberate tax title program. When property accounts move from tax receivable to tax title status, collection responsibility shifts from the collector to the treasurer and interest accrues at a higher rate. Firm action early in the process produces a higher recovery rate, which almost always diminishes over time. Finally, through an effective tax title process, the town's lien on the property is secured and its financial interest is protected.

RECOMMENDATION 2: COMMIT TO REDUCE TAX TITLES

We recommend that the treasurer/collector design and commit to a program to reduce tax titles. A program to reduce tax titles requires a commitment not only from the treasurer/collector, but from the Board of Selectmen and Town Meeting as well. The town should revisit its annual appropriation to pursue tax titles and support an infusion of resources that is commensurate with the level of seriousness it wishes to convey.

For his part, the treasurer/collector must initiate a program to issue demand letters to delinquent property owners as soon as the fiscal year's last payment period ends, and execute tax takings as soon as the law allows. To the extent possible these responsibilities should be scheduled and delegated to a staff member. Although the treasurer and collector is a combined position with shared staff, a paper trail that documents the transfer of properties into tax title accounts, and identifies them as active, redeemed or foreclosed-on, should be preserved. To advance the foreclosure process, accounts can be bundled into various categories including: land of low value, multiple parcels under single ownership, bad addresses/deceased owners, partial payment agreements and all others. In this way, the collector can solicit legal assistance to handle particular property groups and possibly realize cost savings in the fee.

FINDING 3: RECONCILE CASH AND RECEIVABLES

In its 1991 financial management review, DOR cited the prior treasurer/collector's inability to reconcile cash due to deficiencies in the cash book and noted that the receivables were not regularly reconciled. BOA records indicate that the treasurer/collector has, since that time, continued to encounter difficulties completing and filing its reconciliations on a timely basis. Concerns were repeated when discrepancies between the treasurer/collector records and the accountant's general ledger were cited as in the town audits for FY99 and FY00. In this regard, the auditor and treasurer/collector failed to resolve a discrepancy where the general ledger cash exceeds the treasurer's cash by \$156,919. An audit adjustment reducing cash by the amount

was made, so that the books could close. A second audit firm is currently working to close the FY01 books and expects to complete its report by the end of January.

The treasurer/collector acknowledges that he does not maintain a receivable control, and DOR records indicate that the failure to reconcile receivables has been a perpetual issue for the town. At present, the receivable records of the accountant and collector are not in agreement for the current or past years. Because of the lack of accurate receivable records, the town has received no free cash in the last two years and has made transfers from overlay accounts which may have been under funded.

The town's reconciliation problems are attributable, in part, to turnover in the accountant's position where six accountants have served in the last three and a half years. In recent months, the treasurer/collector and current accountant have met, established some parameters and successfully completed cash reconciliations. However, dating back to December 2000, the treasurer/collector had not reconciled his cash book to bank statements. In terms of receivable reconciliations, there is no reliable history and little progress moving forward has been made.

RECOMMENDATION 3: RECONCILE CASH AND RECEIVABLES

We recommend the collector establish a receivables control record. The reconciliation of cash and receivables represents a necessary and important independent check on internal books that the treasurer/collector has a fiduciary obligation to fulfill. The receivables control is a record of original entry where the initial tax commitment is reduced by total collections, abatements, exemptions and tax title transfers, and increased by total refunds. Evidence of each category should be a source independent of postings (i.e., turnovers sheets, abatement/exemption certificates, etc.). Starting with a beginning balance, the treasurer's control record, or cash book, details departmental turnovers of revenue, internal transfers and expenditures through warrant authorizations. As a result, the on-going cash status of the town is known, or easily determined.

Before reconciling his receivables each month with the accountant, the collector should complete an internal reconciliation ensuring that the aggregate entries in the control record equal the totals for corresponding categories as posted, and that the receivable balance in the control record equals the outstanding tax balance indicated by all open taxpayer accounts. Before reconciling cash with the accountant, the treasurer should internally reconcile account activity in the cash book with bank statements for town accounts.

FINDING 4: MAINTAIN BOND AND DEBT SERVICE SCHEDULES

The Treasurer has statutory obligations to report annually to the town accountant and periodically to the Bureau of Accounts (BOA) information relative to the issuance and payment of debt. In Abington, the treasurer has no in-house records tracking this information: Although the information is available from the town's financial advisor, upon request, the treasurer should maintain his own records in this regard. He should reconcile the information periodically with the accountant and make it available to town officials as a tool for planning.

RECOMMENDATION 4: MAINTAIN BOND AND DEBT SERVICE SCHEDULES

We recommend the Treasurer maintain a debt record and debt service schedules on Excel spreadsheets. The records and schedules should include the following:

- 1) Debt Service/Long Term - A schedule of principle and interest payments for active projects over the term of the borrowing should be maintained and updated annually.
- 2) Debt Service/Monthly - The Treasurer should maintain a similar chart of debt service obligations on a per month basis for the current fiscal year.
- 3) Debt Schedule ("Statement of Indebtedness")- The debt schedule would be a list of long term debt by project inside the debt limit, the same for outside the limit and of short term debt (by type and project).

FINDING 5: COLLECT WATER AND SEWER PAYMENTS

Under a long-standing agreement, Abington residents receive water from reservoirs located within the town of Rockland. Water rates are set by a joint board of water commissioners and committed to the shared water department which sends bills, and contrary to sound practice, also collects payments. Abington residents have the additional option of delivering payments to various drug store locations in Abington, or to the Abington collector's office. It is our understanding that all payments are eventually transmitted to the water department in Rockland for posting.

Similarly, but strictly within the town of Abington, sewer bills are committed by the Sewer Commissioners to the town's sewer department which then collects payments. Any sewer payments made to the collector are deposited, but back-up data is forwarded to the sewer department for posting. These payments can also be made at local drug stores.

RECOMMENDATION 5: COLLECT WATER AND SEWER PAYMENTS

We recommend the town cease accepting water and sewer payments at local drug store locations. Neither storeowners nor their employees are subject to the fiduciary standards, procedural checks and balances, or the bonding requirements that are imposed on those in local government who handle town money. These strictly enforced measures are designed to protect public assets and enhance public trust. In this context, it is neither prudent nor sound financial practice to allow the collection of town receipts at other than a municipal office and by other than a municipal employee. At the same time, it is unfair to place private citizens in the position of middleman between the town and those from whom it must collect money. In the alternative, water and sewer bills can be forwarded to the Abington collector.

Over time, once the town is satisfied that fiscal checks and balances are implemented on a complete and consistent basis, it should consider converting the tax collector position to that of a town collector. At that time, water and sewer bills would be committed to the collector. This would put an end to the practice where the same department commits bills and collects payments. By separating the two functions, the town would create another layer of protection, and take another step toward sound financial management policies.

FINDING 6: INCREASE STAFFING LEVEL

With the loss of two, part-time employees during FY01, three full-time persons, including the treasurer/collector, remain to carry-out the combined office responsibilities. Abington has an estimated population of 14,600, is comprised of 4,824 taxable real estate parcels, has annual property tax collections in excess of \$15 million and total expenditures greater than \$25 million. Demands on staff tend to increase when one member is absent due to vacation, illness, etc. and particularly during peak activity periods. When short-staffed, the treasurer/collector is also drawn away from his work to assist walk-in traffic.

RECOMMENDATION 6: INCREASE STAFFING LEVEL

We recommend that the town add a full-time position to the treasurer/collector staff. Given the size of Abington, we view current staffing in the treasurer/collector office as insufficient to meet the level of activity associated with each office function. One additional staff person would increase office personnel resources by 33 percent and represent a staffing level more inline with communities of similar characteristics. Office coverage would be assured in case of absences and a further delineation of responsibilities will ease the pressure to complete routine and

periodic tasks. As an added benefit, the treasurer/collector could direct freed-up time to the maintenance of control records and completion of cash and receivable reconciliations.

ACCOUNTANT'S OFFICE

Over the last three and a half years, six different persons have occupied the position of accountant in Abington. One served for only a month. In another instance, the executive secretary was permitted to fill the role with near disastrous results. The high turnover has contributed to the town's perennial inability to set its tax rate, complete cash and receivable reconciliations, receive certification of its free cash and generate a credible, year-end financial statement.

The current accountant began in the office this past August after 14 years as a comptroller in the private sector. He has no prior municipal finance experience and took over the position without the help of the full-time assistant, who was on a three month leave at the time. When she returned two months into his tenure, she resumed her duties as a bookkeeper - a position she has held for five years.

The accountant inherited an office laboring under a collection of incomplete records and a lack of internal controls. Financial transactions were not processed properly. Journal entries were not documented, and general ledger balances and subsidiary accounts were never brought into balance. Major cash variances and reconciliation exceptions existed between the records of the accountant and the treasurer/collector. As a result, the town's year-end financial statement, or balance sheet, was deemed unreliable and unacceptable by DOR and precluded certification of its free cash in the last two years. Compounding these problems is poor software performance.

To date, the accountant has successfully initiated procedures intended to accomplish routine office tasks, such as collecting documentation to process vendor and payroll warrants, and producing regular revenue and expenditure reports. He has opened lines of communication with other finance officers and has made progress, in particular, with the treasurer/collector relative to monthly cash reconciliations. Receivable reconciliations and overlay balances, however, remain serious problem areas. He works around the limitations of the Arlington Data software and has improved the quality of general ledger entries. Otherwise, he is working diligently with outside auditors to resolve issues so that the town can close its books for FY00 and FY01.

In the coming year, the accountant is also expected to play a larger role in the annual budget. In particular, the need for reliable revenue and expenditure forecasting was revealed this fiscal year when a miscalculation of free cash and an overestimate of lottery receipts produced a \$500,000 budget deficit. To close the gap, the town was forced to make mid-year, departmental budget cuts at the November 26 Special Town Meeting.

FINDING 1: INITIATE A PROGRAM TO RECONCILE CASH AND RECEIVABLES

Until recently, prior accountants and the treasurer had not met to reconcile cash since December 2000. Past inaction, dating back years, has resulted in extreme variances between the accountant's and treasurer/collector records in almost all receivable balances. Where outstanding real estate and personal property taxes due the town are unknown, the town's overlay obligations are also thrown into question.

RECOMMENDATION 1: INITIATE A PROGRAM TO RECONCILE CASH AND RECEIVABLES

We recommend that the accountant initiate a program to reconcile cash and receivables with the treasurer monthly. The accountant and treasurer have already begun meeting monthly to reconcile cash, and have completed cash reconciliations through April 2001 in an effort to bring records up-to-date. With the completion of the outside audits that are intended to produce financial statements for FY00 and FY01, they should have better insight into the problems associated with identifying prior year receivables. Besides being an important responsibility of finance officers, regular reconciliations of cash and receivables are essential to the system of checks and balances in local government. As a practical matter, frequent reconciliations make it easier to locate and correct posting errors and exceptions, as well as minimize the work needed to prepare annual reconciliations required for free cash certification by BOA.

FINDING 2: INSTALL AND IMPLEMENT THE KVS SOFTWARE

Town accountants have used the Municipal Accounting and Reporting System (MAARS) developed by Arlington Data for over 20 years. It is retained now even though the town has purchased KVS general ledger software as part of a system-wide upgrade. The MAARS system is not compatible with KVS, and lacks the capability to process modern day, four-part bookkeeping transactions. In some instances, the user must make adjusting entries, but frequently, in the past, they were not made compromising the town's ability to generate accurate financial statements.

RECOMMENDATION 2: INSTALL AND IMPLEMENT THE KVS SOFTWARE

We recommend the town install the KVS general ledger module in the accountant's office as soon as possible. The town has invested \$750,000 in the KVS system, including a general ledger module for the accountant's office. The software represents a significant upgrade for the office and would create immediate efficiencies in the electronic transfer of information from the collector. Advantages will be expanded when the planned installation of KVS in the treasurer's office is complete.

FINDING 3: PREPARE FOR GASB 34 IMPLEMENTATION

GASB 34, a statement recently issued by the Governmental Accounting Standards Board (GASB), imposes new criteria on the form and content of governmental financial statements for municipalities. On the basis of its budget size, Abington is grouped among communities scheduled to implement GASB 34 by the beginning of FY03. Preparing for implementation can be a time consuming process, particularly where the valuation and depreciation of all the town's fixed assets are concerned. The best planning is to start early with an effort coordinated by the accountant to become familiar with the GASB 34 requirements. Governments must adhere to the GASB pronouncements in order to issue their financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

RECOMMENDATION 3: PREPARE FOR GASB 34 IMPLEMENTATION

We recommend that the accountant devise a plan to gather information about implementation of GASB 34. Because the town must reach full compliance with GASB 34 by the start of FY03, it should begin now to gather detailed information relative to its implementation, requirements and potential costs. Written materials and seminar opportunities are already made available from the Government Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA) and/or from the State Division of Local Services (DLS). The town should consider, in its plan, whether to set aside funding now to engage outside assistance in organizing accounts and inventorying fixed assets. At the very least, the accountant should consult with the town's auditor.

ASSESSING OFFICE

The assessor's office in Abington is staffed by the deputy assessor, one part time and two full time clerks. The deputy assessor, who functions as the department's day-to-day administrator, has held the position since 1995, and reports directly to the three-member, elected Board of Assessors. The 19-hour, part time clerk has eight years of town hall experience, while the full time staff members have worked in the assessor's office for one year and one month, respectively.

The assessor is routinely responsible for valuing all the town's property, maintaining property records and other documents, issuing exemptions and abatements, and monitoring overlay accounts. In Abington, the office regularly inspects properties as part of a seven-year, cyclical inspection program, properties subject to abatements and additional properties with building permits to arrive at annual new growth estimates. Arms-length property sales total 250 transactions annually, but the town does not have an annual property value adjustment program.

Prior to FY 01, the town contracted the services of Acone, their software provider, to revalue town properties every three years in preparation for State certification. Because the assessors' office lacked desktop computer capability, all data processing and analysis necessary to the revaluation process was completed off-site. Prior to the FY01 revaluation, the assessors upgraded the office computer status and abandoned Acone in favor of software developed by Vision Appraisal Services. At the same time, the deputy assessor assumed responsibility to revalue residential properties in-house. Vision was contracted to revalue the town's commercial and industrial properties, and the services of Real Estate Research Corporation (RRC) were retained to value personal property. In Abington, the valuation process involves approximately 4,824 total real estate parcels, of which 271 are classified commercial and industrial, and an additional 484 personal property parcels.

Among other responsibilities, the deputy assessor and board are involved in the preparation of the town's Recap Sheet which is a required submission to DOR and the basis for tax rate approval. The assessors also prepare the property tax and motor vehicle excise commitment for collection by the collector. In this regard, Abington's FY01 second half tax bill was not mailed until late June 2001, and awaiting completion of an audit, the town still has not submitted its Recap Sheet to DOR for approval of its FY02 tax rate. As a semi-annual community, the town's deadline to mail first half tax bills was September 1, 2001.

In response to earlier Bureau of Local Assessment recommendations, the department is upgrading town maps by taking advantage of a proprietary GIS system associated with the Vision software. In terms of internal controls, procedures are in place to reconcile printed tax

bills with the original commitments before mailing, but the totals have not matched in each of the last three years. No mechanism is in place to monitor overlay account balances. This problem came to a head in April 2001, when transfers from the overlay account for budget purposes exceeded the fund balance as reported by the deputy assessor.

In terms of record keeping, property data is maintained on the Vision appraisal software and regularly backed-up. An in-house data collector keys-in changes to property descriptions as inspections are completed.

FINDING 1: INITIATE AN INTERIM YEAR PROPERTY VALUE ADJUSTMENT PROGRAM

The specific meaning of MGL Chapter 59, Section 2A is that all properties must be at fair cash value as of January 1 of each year. In its certification of fair cash value, the state reviews each town's assessments every three years. In practice, not all communities adjust property values each year, although there are reasons to do so. Many, like Abington, contract-out the revaluation of commercial/industrial properties and personal property to outside vendors.

Through interim year valuation adjustments, the town satisfies requirements that properties be at fair cash value each year and also maintains accurate value relationships among properties and neighborhoods. In addition, the potential for a steep rise in valuation between three year intervals is replaced with smaller, more palatable annual changes. In a declining market, dramatic value changes typically lead to an increase in abatement applications and strain overlay reserves as homeowners seek relief from high taxes based on high assessed values set three years earlier. Even if downward, smaller annual adjustments, tend to ease the transition and remove homeowner incentives to seek abatements.

RECOMMENDATION 1: INITIATE AN INTERIM YEAR PROPERTY VALUE ADJUSTMENT PROGRAM

We recommend the assessors initiate a program to achieve interim year property value adjustments. Annual adjustments are achieved through an analyses of market value trends that emerge from the regular inspection of real estate sales each calendar year. Since these inspections are already completed in-house on a regular basis, and the deputy assessor is proficient in analyzing revaluation trends, the program should not inordinately affect workloads. As part of an interim adjustment program, we recommend that residential valuations be completed in-house by the deputy assessor, and that the town continue to contract out the annual valuation of commercial/industrial properties and personal property. This would result in a cost increase to the town over its current expenditure for revaluation services, but the benefit of fewer abatements and the revenue gained through annual adjustments should more than justify the time and money expended on the program.

FINDING 2: MONITOR OVERLAY BALANCES

The overlay account is a reserve intended to cover taxes not collected due to abatements and exemptions and, as a general rule, is not used for routine spending. However, the town of Abington has a history of tapping into overlay reserves as a revenue source to help balance the town's budget. Problems have arisen out of disputes about whether actual overlay balances were sufficient to cover the transfers. As a matter of sound fiscal management, amounts maintained in overlay reserves for past years should at least be sufficient to cover the delinquent taxes for that year plus potential liabilities arising from cases pending before the Appellate Tax Board (ATB).

In Abington, protecting overlay balances takes on added importance because of the uncertain status of its past years' receivables. Monitoring overlay and maintaining minimum levels should therefore be priorities. Periodic reconciliations of overlay balances with the collector and accountant provide further safeguards.

RECOMMENDATION 2: MONITOR OVERLAY BALANCES

We recommend the deputy assessor set-up an Excel spreadsheet to monitor overlay activity and balances. The assessor should maintain current overlay balances by the use, and regular update, of a simple spreadsheet that identifies the annual overlay opening balance (as reported on the Recap Sheet) and makes adjustments for exemptions, abatements, ATB judgements and transfers to surplus as they occur during the year. In this way, the deputy assessor establishes a control record which would serve as a basis for reconciliations with the accountant.

As a matter of practice, the assessor forwards copies of abatement and exemption certificates to the accountant. He should periodically reconcile his Excel spreadsheet list to the certificate originals on file in his office, and externally with the running totals maintained by the accountant. This will ensure that both officials are carrying the same balances.

COMPUTERS AND TECHNOLOGY

In response to increasing technology demands, the town engaged the part-time services of John Fields (PC Solutions) at \$30 per hour for computer support in October 1999. By March 2000, the demands of the job regularly exceeded the agreed upon 20-25 hours per week and ranged as high as 40 hours per week, prompting discussion of a new arrangement. However, the town sought a reduction in costs rather than an increase (to \$40 per hour) and ultimately choose not to continue the relationship. As an alternative, it was decided that one of the selectmen, a computer software engineer at the Boston Globe, with the assistance of the treasurer/collector, would take over responsibility for the management information systems (MIS) role.

For their MIS-related service, the town compensates the selectman and treasurer/collector with annual stipends of \$4,800 and \$2,000, respectively. It is our understanding that the selectman spends approximately five hours per week on-site and is otherwise accessible by telephone. The treasurer/collector is on the premises and available, but given his regular duties and lower stipend, devotes less than full-time to computer issues in other town hall offices. Where the MIS function is split between two elected town officials, neither reports to, nor is accountable to, the executive secretary.

Since 1999, the town has made a major technology investment expending \$750,000 for computer networking, new hardware and financial management software. Now, as a significant step forward, town hall offices are equipped with computers, the building is networked, internet service has been set-up and e-mail is planned. However, advances have stalled with the limited installation of the KVS financial management software. It is not clear how KVS modules will be installed in the treasurer's and accountant's offices, or how support and training issues will be addressed. No formal plan seems to be in place that would allow the town to monitor and measure its technology status against an on-going program of upgrades, training and support. Nor are the costs necessary to execute such a plan incorporated into the town's long-term capital planning considerations.

FINDING 1: COMMIT RESOURCES TO COMPUTER TECHNOLOGY SUPPORT

Currently, the town splits MIS responsibilities between two persons, each of whom has another full-time job. Where the demands of the contract MIS person ranged from 25-40 hours per week, the aggregate amount of time now devoted to the job appears to be under ten hours. Together, they maintain the computer network; install and upgrade hardware; complete regular system back-ups; and assist with software issues. It is our impression that neither has the depth of knowledge in all KVS modules to instruct staff in its use, or to orchestrate a conversion.

With the exception of "crash" protection, we are not aware of any vendor contracts for hardware or software support.

Based on the experience of other communities, we would expect the need for computer systems support to further escalate in Abington. This is especially true given the town's planned conversion to the KVS software in the accountant and treasurer's office. It is also likely that because of the absence of an on-site person, with a set of assigned MIS responsibilities, some problems, as well as some ideas for improvements, do not get reported. In short, the town seems to have accepted a status-quo program geared toward keeping computers working. Missing is the coordination, planning, and focused attention necessary to take advantage of technology to make each finance office and government, in general, function more efficiently.

RECOMMENDATION 1: COMMIT RESOURCES TO COMPUTER TECHNOLOGY SUPPORT

We recommend the town commit additional resources to enhance technology support. The effective reduction in MIS service hours from upwards of forty to under ten, is not justified by the level of need for a town the size of Abington. Therefore, the town should explore ways to increase technology support. Whether a new town employee or outside contractor, a person whose sole focus is technology can create efficiencies within finance offices and help the town realize cost savings.

Among typical responsibilities, a person with a strong technology background can monitor systems, provide network and software support, install upgrades, provide in-house training and arrange training sessions with outside experts. He can assist in the analysis and purchase of new technology for departments, and can help finance-related departments create spreadsheets and databases for specific purposes. To further guide staff, he can develop procedural manuals that provide step-by-step instructions on the completion of important or every day tasks. When it proves more economical to "out-source" some or many of the basic maintenance and support needs, he can be a single point of contact with vendors. By maintaining request logs he can monitor vendor response to ensure the town receives prompt and satisfactory services under its support contracts.

Any person responsible for a town's technology program should report to the executive secretary. He should be included in financial management team meetings, and serve as a liaison to a technology committee, in communities that have formed one. He contributes to decisions on network strategies, web site plans, hardware upgrade paths and software selection. He should be involved in discussions concerning possible changes in policy, procedures or practices that might impact the use of computer hardware or software to avoid

decisions made in a technology vacuum. This way, taken into account are the tendencies, strengths or limitations of the financial management software in which the town has invested.

FINDING 2: FULLY IMPLEMENT KVS FINANCIAL MANAGEMENT SOFTWARE

For 20 years, finance offices have used the Municipal Accounting and Reporting System (MAARS) developed by Arlington Data. Its replacement, a software package developed by Knowledge Value Service (KVS), was purchased by the town with modules for the treasurer, collector and accountant. However, to date, only the collector's module is installed and operating. As a result, finance offices are forced to function using two incompatible software applications.

RECOMMENDATION 2: FULLY IMPLEMENT KVS FINANCIAL MANAGEMENT SOFTWARE

We recommend full implementation of the KVS financial management software as soon as possible. We recognize that the accountant hopes to implement the KVS system after FY01 books have been audited and closed, and that there is discussion of installing the treasurer's module after January 1. However, the town must act now to assign responsibility and plan for the project. Issues involving KVS support service, data conversion, completion timetables and staff training must all be addressed in advance. Failure to establish accountability for completion of the project or to develop a plan of action further prevents the town from getting its fiscal house in order, and threatens to waste its financial investment in software.

FINDING 3: ADDRESS TAX BILL DATA CONVERSION DISCREPANCIES

When the assessors' create the tax commitment, a Vision disk holding the data is converted to the KVS format so that the information can be uploaded in to the collector's software module. The collector then forwards the information, in the KVS format, to an outside vendor to print the actual tax bills. In each of the last three years, tax totals derived from the printed bills have not tied to the assessors' commitment.

RECOMMENDATION 3: ADDRESS TAX BILL DATA CONVERSION DISCREPANCIES

We recommend that the town's systems support personnel work with the deputy assessor, collector and vendors to resolve this issue. Reconciliation of the commitment to the printed tax bills is an important check and balance. As an internal control, it ensures that the collector and accountant have the same starting point (i.e., commitment amount) when the fiscal year begins. Otherwise, if the initial commitment posted by the assessor, collector and accountant is in

variance, so will receivables throughout the year. Although, corrections can be made after the fact, the problem represents a flaw, or a breakdown in internal controls. In either case, it should be corrected.

ADDENDA

ACKNOWLEDGEMENTSThis report was prepared by

The Department of Revenue, Division of Local Services (DLS)

Joseph J. Chessey, Deputy Commissioner

Gerard D. Perry, Associate Deputy Commissioner

The project staff included

Frederick E. Kingsley, Bureau Chief
Municipal Data Management and
Technical Assistance Bureau (MDM/TAB)

Angela Franklin, Project Manager
Joseph Markarian, Jr., Project Manager
Technical Assistance, MDM/TAB

Martin DiMunah, Field Representative
Bureau of Accounts

Scott Santangelo, Field Representative
Bureau of Local Assessment

In preparing this review, DLS interviewed the following persons

Kevin Donovan, Chair, Board of Selectmen
Joseph Shea, Board of Selectmen
Robert Wing, Board of Selectmen
John Sanguinet, Executive secretary
Dori Jameson, Assistant to the Executive secretary
Thomas Connolly, Treasurer/Collector
Charles Shea, Deputy Assessor
Anthony Sulmonte, Accountant
Paul Chase, Chair, Finance Committee
Phillip Fantasia, Finance Committee
Laura Modica, Chair, Capital Improvements Committee
Daniel Callahan, Manager, Water Department
John J. O'Brien, CPA
James Powers, CPA, Powers and Sullivan
Craig Peacock, CPA, Powers and Sullivan
John Fields, PC Solutions