



Town of Athol

Financial Management Review

Division of Local Services / Technical Assistance Section

January 2014



January 17, 2014

Board of Selectmen
Town Hall
584 Main Street
Athol, MA 01331

Dear Board Members:

It is with pleasure that I transmit to you the enclosed Financial Management Review completed by the Division of Local Services for the Town of Athol. It is our hope that the information presented in this report will assist the town in improving its financial management practices, addressing areas of concern, and meeting long-term planning needs.

Our technical assistance team welcomes the opportunity to present the report to the board of selectmen at a public meeting. As an added service, we are willing to meet with staff, earlier on the same day, to discuss implementation of the report recommendations.

As a routine practice, we will post the completed report on the DLS website, www.mass.gov/dls, and forward copies to Athol's state senator and representative.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Stephen M. Brewer
Representative Denise Andrews

Introduction

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) completed a financial management review of the Town of Athol. The recommendations contained in this report are based on site visits made by a team from the DLS Technical Assistance Section and consultations with the Bureau of Accounts and Bureau of Local Assessment.

The scope of the review focused on the town's financial offices and the practices, procedures and policies that guide municipal decisions. We examined the duties and responsibilities of finance officers and the degree of coordination and communication that exists among the various boards, committees and officials involved in financial management. We comment on the effectiveness of financial checks and balances and on compliance with state laws and regulations that govern fiscal matters. The municipality's technology condition was assessed, and the impact of organizational structure on financial operations was evaluated.

To complete the report, we interviewed and received information from members of the board of selectmen, the town manager, town accountant, collector/treasurer, principal assessor, and others. A full list is provided on the Acknowledgments page at the end of this report.

Also included as part of our review, we examined information from various documents, including the tax recapitulation sheet, Schedule A, balance sheet, and Athol's annual budget, warrants payable, revenue and expenditure reports, and reconciliation reports. We reviewed the town's charter and bylaws, the outside audit report completed by Melanson Heath & Company, and the independent credit rating report by Moody's Investors Service.

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Overview

The Town of Athol lies on the western edge of northern Worcester County, with surrounding towns that include Royalston, Phillipston, Petersham, New Salem, and Orange. The local populace, who numbered 11,631 as of the 2012 US Census, predominantly live near the downtown, which has a distinctly historic character owing to the regional industrial prominence Athol enjoyed for a period from the early 1800's through the middle of the last century. It is situated in a region known as the North Quabbin, in reference to the huge reservoir whose creation caused some diversion of commercial routes and was a contributor the economic decline experienced in the latter half of the 20th century. Apart from the downtown, much of the rest of the community is undeveloped, lending it a rural, forested aspect. While Athol is not a suburb, state Route 2 cuts through it, providing the initial access way toward the larger communities of Fitchburg (25 miles), Worcester (40 miles), and Boston (70 miles).

Athol's town government provides an array of services and amenities. It has full-time police, fire and emergency medical services, a library, a senior center, and various recreational programs. Its public works department provides water and sewer utilities as well as other services. Public education is provided through the Athol-Royalston Regional School District.

While like the rest of the state, Athol has been slow to recover from the last recession, its government has been making strides to develop town resources and spur economic growth. The planning office has successfully obtained grants to create a downtown park on Millers River and to develop other recreational trails. In recent years, the town also exploited grant funds to rehabilitate parts of downtown Main Street, and it is actively working with the state attorney general's office on a program to dispose of or redevelop abandoned properties.

The town's residents have shown a willingness to invest in projects to improve the community's quality of life, in recent times voting for approval of capital projects to build a new senior center, police station, and library. But the most highly anticipated development is a future retail park to be anchored by a Market Basket store. At a special town meeting in October 2013, voters passed an article to authorize a \$3 million bond to fund an extension of the town's water main that will allow it to support multiple new businesses and housing in that area. In addition to bringing residents a convenient marketplace, this project will create much-needed jobs. We have been told that Market Basket chose Athol as a location in part because of its citizens' track record for supporting progressive development. Local planners, decision makers, and the town manager deserve commendation for bringing this about and for creatively lessening the burden on taxpayers by primarily funding it through a district improvement financing (DIF) scheme. A DIF designates the future tax revenue generated in this district to pay for the project.

Also at the October 2013 town meeting, voters passed an article approving a bond authorization to build a new elementary school. For the \$44 million project, Athol residents will pay a little over \$16 million, with the rest coming from the Massachusetts School Building Authority. The town will raise their portion through a Proposition 2½ debt exclusion, as approved in an election on December 9, 2013.

These recent fruitful efforts take place within the context of a community whose residential wealth hovers around the lower end of statewide measurements. According to DLS data, the town's 2011 income per capita of \$17,944 was 30th lowest among the state's 351 municipalities and is barely over half of the state's \$35,206 average. Its equalized valuation (EQV), a measurement of property wealth, was \$61,879 as of 2012. This was higher than only ten other Massachusetts communities. In FY2013, Athol's average single-family home value of \$133,650 was less than half the statewide average of \$354,292.

As reported to DOR, the town's FY2013 budget was \$19,019,017. Roughly 52 percent of that was funded through the tax levy, 29 from local receipts, and 7 from other sources. Only about 13 percent of the budget came from state aid because Chapter 70 education funds are distributed directly to the regional school district. Annually, the town tends to appropriate about two-thirds of its budget almost equally on three major categories: education, fixed costs, and public safety, in FY2012 spending approximately \$3.5 million on each. The remaining third of the budget is typically spent toward public works (10 percent), general government (8), human service, cultural, and recreational programs (6), debt service (4), and other costs (4).

Compared with many other communities, Athol spends a higher proportion of its budget on fixed costs, but there has been some momentum to try to diminish this budget buster. The board of selectmen has directed the town manager to research the possibility of moving Athol's self-funded retirement system into a combined system with Worcester County as a potential cost-saving measure. Beyond pension obligations, Athol must contend with the escalating costs associated with insurance-related commitments for current and future retirees. We provide some advice on addressing this liability later in the report.

Athol's certified free cash balance as of July 1, 2013 was \$488,218, or 2.5 percent of its budget. At the close FY2013, the town had another 3.5 percent of the budget (\$664,563) in a stabilization fund. While its annual free cash figures have fluctuated quite a bit over the last few years, Athol has done an admirable job in sustaining its stabilization fund to maintain adequate reserves overall. In an August 2012 report, Moody's Investors Service gave the town an upper-medium, A1 credit rating citing Athol's fiscal stability, conservative budget practices, sufficient reserve levels, and manageable debt profile.

Athol's day-to-day operations and finances are overseen by a town manager. The current town manager has been in the position since September 2012. In his first year, he focused on adding structure and openness to the budget process, as well as modernizing it through enhanced software tools. To promote continuity, later in this report we recommend solidifying through formal policy some of the town's long-standing but informal budget practices. With a full budget year under his belt, the town manager can direct more energy toward improving the effectiveness of everyday financial processes and exploring new ways to economically achieve town-wide goals. His ability to do this would be enhanced by the implementation of an employee performance evaluation system, although this will require negotiations with the town's various employee unions, including the managers' union.

In the pages that follow, we offer recommendations to address a range of issues with the overall intent to create greater effectiveness in municipal operations. In the interest of promoting stability, we advise the town to move away from the practice of reviewing its charter too frequently. We also encourage the town manager to hold monthly financial team meetings as opportunities to share information and direct operations. Furthermore, we feel the town would benefit from enhanced personnel policies and procedures. While the town has not had the financial means to invest in a full-time information technology manager, we make suggestions for exploiting the technical tools it has to greater capacity. The remaining recommendations propose ways that Athol can maximize its limited resources by adopting practices to increase efficiency and reduce costs.

Overall Financial Management

Athol's local government operates pursuant to provisions laid out in its town charter and bylaws, which together define officeholder responsibilities and summarize procedures. The five-member board of selectmen constitutes the town's executive branch and its chief policymaking body. To oversee municipal operations, the selectmen appoint a town manager. Athol's primary financial officers include the town accountant, collector/treasurer, and principal assessor. The town has no information technology department. Instead, it contracts with a vendor for data backups and limited general support. The town website is maintained through the combined work of another vendor and a few town employees.

Typical of communities this size, legislative power is vested in an open town meeting. Athol's charter provides for it to hold a spring and a fall town meeting each year. To advocate for the interests of town meeting, there is a finance and warrant advisory committee (FWAC) that consists of seven members appointed by the town moderator. A capital program committee manages the town's capital improvement program.

In reviewing Athol's overall financial management, we looked at the operative policies and practices that impact town government globally and also reviewed the procedures connected with objectives that cross over various municipal departments. We examined organizational structure, the budget process, long-range planning, personnel administration, and the communication and cooperation existing among offices. Based on our review, below we offer advice in these areas. In later sections of the report, we provide observations and recommendations that focus on the town's individual financial offices.

Conduct Charter Reviews on 10-Year Cycles

Since 2000, Athol's government has been run pursuant to the provisions of a town charter, which has been amended three times over the intervening 13 years. The town also has a standing charter review committee that meets on an "as needed basis," but has reviewed some part of the charter in at least each of the last three years. The practice of perpetually reviewing a town charter undermines one of its main purposes, which is to provide long-term stability. DLS routinely recommends that communities conduct full charter reviews every ten years because it makes sense to periodically reassess whether government structure continues to be effective in evolving times. Along with this advice, we therefore encourage Athol to disband the standing charter review committee once its immediate work is complete. The town already has a bylaw review committee, and it would be appropriate to continue that group. While charter supersedes bylaw, and certain changes can only occur through charter revision, bylaw amendments are often sufficient to make many desired policy or procedure modifications in between charter reviews.

This year, the topic being examined by the charter review committee is the residency requirement for the town manager position. Local leaders and residents should be careful about ascribing too much significance to the effect that in-town residency has on a town manager's commitment to act in Athol's best interest. As the charter committee has found in their review, residency requirements are dying out as an employment stipulation in Massachusetts communities. DLS has consistently advised against them since they limit the field of potential candidates with the skills needed to successfully perform the job by excluding those who may not be able to relocate. Without this requirement, a community is free to hire the candidate with the strongest credentials and most relevant professional experience.

Given that the charter review committee is already reviewing one aspect of the town manager position, we suggest that it take the opportunity to review the rest of the charter chapter relating to that office. Based on our conversations, it appears that since the position was first created, there has been debate about what its most appropriate roles and responsibilities should be. We advise that the committee be careful to ensure that any potential revision clearly states the position's role in the budget process and includes language that reinforces accountability, both for the town manager to the board of selectman and for the department heads reporting to the town manager. Finally, as a housekeeping measure, we suggest that the charter be revised to formally combine the positions of town collector and treasurer into the single office of collector/treasurer. In 2010, the town functionally combined these offices to be managed by one person, but for continuity it is worthwhile to formally establish this in the charter.

Establish Formal Budget Policies

Historically, Athol's financial planning has been guided primarily by informal policies. A succession of decision makers has tried to avoid using one-time revenues to fund ongoing operations, for instance. There has also been an effort to maintain consistency in the appropriation and use of stabilization funds. While these wise practices are commendable, we recommend that budget policies be formally documented to promote long-term fiscal stability and to guide future officeholders. Furthermore, the reinforcement of sound practices through formal policy adoption has also been known to improve a community's credit rating.

With input from the town's financial officers and the FWAC, we suggest that the town manager develop financial policies for selectmen approval on topics such as:

- Long-range financial planning, including multiyear revenue and expenditure forecasting and capital improvement planning.
- Debt capacity, issuance, and management, specifying the appropriate uses for debt, timing of long-term bond issuances, and allowable ratio of debt service to total budget.

- Investment, outlining controls to ensure compliance with state laws, preserve liquidity, and maximize rates of return while minimizing risk.
- Reserves and stabilization funds, endorsing annual reserve appropriations and identifying the qualifying circumstances for which reserves may be used.
- Guidelines for one-time revenues, promoting prudent practices for managing these revenue types (including free cash) and precluding their use for recurring expenditures.

For further guidance, we encourage the town to review sample policies from other communities and to refer to the Government Finance Officers Association's website, which has much useful advice on policy planning, www.gfoa.org.

Expand, Enhance, and Formalize Personnel Policies

The growing complexities of personnel management make it incumbent on municipalities to stay current, consistent, and thorough in forming and applying related policies and procedures. Athol's town manager has been working on a revision of the personnel bylaw (Chapter IX) to add more content. The draft we reviewed is wide-ranging and lays a good foundation to equitably enforce policies with employees. Below we present guidance designed to create a stronger central personnel authority, to expand and refine existing practices, and to mitigate future liabilities in this area. We encourage the town manager to work toward a finalized personnel bylaw draft to present the board of selectman for its review and approval.

Establish formal personnel policies. Formal, written employment and conduct-related policies should be created for inclusion in the personnel bylaw. At minimum, these should include documents on affirmative action, sexual harassment, the Whistleblower Act, conflict of interest, ethics, personal security, and acceptable email and Internet usage. A copy of the personnel bylaw should be given to all current employees and to new staff at time of hire. An acknowledgment form should be created for employees to verify their receipt by signature along with an Excel database to track universal acknowledgment compliance.

Implement a personnel action form. Any change to an individual's employment status or compensation should be documented through a personnel action form (PAF) and maintained in the employee's personnel folder. No change can go into effect until its PAF is signed by the department head and town manager, and by the accountant for any change impacting departmental expenditures. Neither the collector/treasurer nor assistant treasurer may add any employee or make any change to an employee's data in the payroll software without a duly signed PAF. A sample PAF is provided in the report appendix.

Personnel file maintenance. The town should start a project to obtain the personnel documents of all employees for central storage in the town manager's office. Once consolidated, the folders should be kept in locked file cabinets in an area without public access. State and federal laws delineate certain information that should be maintained apart from each other. Per M.G.L. ch. 149 §52C, an employer must maintain a personnel file for each employee containing all documents it has used for, or that may affect the individual's qualifications for: employment, promotion, transfer, additional compensation, or disciplinary action. However, this file should not contain any medical or personal data protected by the

Americans with Disabilities Act or by M.G.L. ch. 214 §1(b). When all the above information is stored in one location, such as a file cabinet, three folders should be used to separately maintain these employment, medical, and personal documents.

Annual performance evaluations. We encourage the town to adopt the proposed bylaw provision for annual performance evaluations of all the town's regular employees. With a well-defined procedure to follow, as outlined in the bylaw, this program will help promote accomplishment of departmental goals and reinforce accountability. As corollary benefits, job descriptions can be brought up to date, lines of communication reinforced, and personnel policy become more responsive. At the same time that such programs clarify responsibilities and performance expectations for employees, the process helps to assess morale by giving staff a forum for expressing themselves.

Disband the personnel board. The town charter defines the town manager as the chief administrative officer who is granted broad appointment powers, oversight of the town's major divisions, and contract negotiation authority. The position is also authorized to appoint individuals to a five-member personnel board and to propose personnel rules for all town positions. Hence, the town manager is the de facto personnel director for the town. While a personnel board can play a meaningful role in towns without personnel directors, given the range of the town manager's formal responsibilities, we suggest that this volunteer board could be eliminated as being superfluous. Furthermore, it is our understanding that the board has not been active for some time.

Hold Monthly Meetings of the Financial Team

To enhance communication and improve interdepartmental coordination, we recommend the town manager call the financial department heads together to meet as a team on a regular basis. With the town manager as chair of the meetings, the rest of the team would include the accountant, collector/treasurer and principal assessor. The meetings would work best if scheduled at a consistent, convenient time each month with agendas and supporting materials sent in advance. Gathering the team for regular discussions will enable the town manager to play a more hands-on role in ongoing financial operations and oversee adherence to key procedures.

In many communities, financial team meetings have proven effective for coordinating financial operations and holding staff accountable for their roles in mission critical functions like tax rate setting, timely reporting of receipts, and reconciliations of cash and receivables. Beyond that, these sessions help to enhance dialogue, spur creative thinking, and assure attendees that important information is imparted to all parties at the same time. Without infringing on the policymaking powers of the selectmen and the FWAC, these forums facilitate the collection and analysis of data that can serve as the bases for those boards' decisions, in areas like debt limits, reserve fund levels, revenue/expense estimates, and annual budget guidelines. Finally, the team's participation in general financial and budget activities helps to provide institutional continuity when officeholders leave town service.

Develop Corrective Action Plans to Address Management Letter Citations

We recommend that the town manager work with financial officers to devise corrective action plans for addressing each weakness detailed by the outside auditor in management letters. An independent auditor issues a management letter to cite any procedural deficiencies identified during an audit that could pose risks to the integrity of a community's financial statements. The letter can therefore be a powerful tool to guide proactive measures for improving financial controls. For the latest completed annual audit (FY2012), the firm of Melanson Heath & Company presented four, current-year weaknesses and also listed five from prior years that were not yet resolved, most of which date back for a few years.

To underscore the importance of resolving these issues, we recommend that the town manager institute an ongoing program for addressing management letter citations. He should work with the finance team to develop corrective action plans for each identified weakness, indicating the steps to be taken, the person(s) responsible, and the time frame for completion. To do this, he should consult with the outside auditor to break down the small, specific components that comprise the weaknesses and identify their root causes to design and monitor controls to mitigate them. The financial team should then periodically monitor the effectiveness of these controls. Diligent compliance with applying financial controls should be included as standard performance criteria for annual reviews of the responsible managers.

Modify Payroll Processing

Based on our review of Athol's current payroll procedures, we recommend some revisions to increase efficiencies and tighten internal controls. Implementation of the suggestions below should significantly free up staff time to perform other tasks and reduce paperwork.

Extend the payroll schedule from weekly to biweekly. Although any payroll change must be collectively bargained with employee unions, switching to biweekly payroll is a very worthwhile goal. Substantial processing work in the financial offices would be eliminated every other week without adding any workload to town departments. The change would also reduce paperwork and reconciliation tasks.

Maximize employee direct deposit. Direct deposit reduces check stock costs, precludes reissuance of lost checks, and simplifies bank reconciliations due to the absence of outstanding paychecks. Employees also benefit, since their pay is available in their bank accounts overnight. While about 70 percent of Athol's employees are on direct deposit, the town should pursue universal implementation, and this goal should be also included in future union negotiations.

Establish policy for employee time sheets. At the department level, each employee should complete and sign dated time sheets that show the particular days worked or taken off using earned leave time. These specifics are necessary to mitigate potential liabilities to the town.

A formal policy should be circulated that requires these details to be included on all time sheets. It should also state that time sheets must be maintained within departments to be available for any disputes and as source data for the annual audit.

Redesign time sheet summaries. For each pay period, department heads submit hard-copy summary sheets to the accountant listing each employee's gross pay and leave hours used, if any. We suggest that a new standard summary sheet be designed in Excel and emailed to departments. It should list all the department's employees and their current pay rates and include blank columns for filling in the number of hours worked and any leave time used. It should also have a formula-embedded column to calculate gross pay. To add or remove an employee or to change a pay rate, department heads must submit a PAF to the town manager and accountant. Sample time sheets and summary sheets can be found on the DLS website.

Update Millennium with employee pay rates. Athol uses Harpers Payroll Services Inc. to complete payroll processing, specifically through the company's Millennium software. Presently, the assistant treasurer individually data enters the gross pay for each of the town's employees every pay period. We propose that the collector/treasurer work with Harpers to update Millennium with all the employees' pay rates and standard hours. Subsequently, the assistant need only input any leave hours that were used by employees each pay period (i.e., only do exception-based data entry).

Begin data entry in the collector/treasurer's office. Under the current system, departments send summary sheets to the accountant's office. There, the assistant accountant enters into an Excel spreadsheet the payroll data for each employee and totals them by department. Then, the original departmental summaries are sent to the collector/treasurer for Millennium data entry and are subsequently sent back to the accountant. Then, the accountant enters the payroll amounts into the VADAR general ledger and compares the figures with a Millennium report. If they match, she notifies the collector/treasurer to transmit the Millennium file to Harpers, and she generates the payroll warrant off VADAR.

We suggest that departments start the process by sending their summary reports to the collector/treasurer instead. There, staff will complete Millennium data entry and then forward the summaries and a system report to the accountant. Departments on the network could also email their completed Excel summaries. This would make the Millennium data entry easier because treasurer/collector staff could just review the Excel sheet for exception time versus sorting through paperwork.

The accountant could then complete her VADAR data entry based on the summary sheets and Excel files forwarded by the collector/treasurer. Then she should compare a VADAR summary report to the forwarded Millennium one before generating the warrant. The assistant accountant's Excel data entry is eliminated along with the initial back-and-forth transmission of paperwork.

Use Millennium for leave time maintenance. In annual financial statements, the accountant must report unexpended, earned employee leave time. This reflects the town's obligation to compensate retiring employees for all or portions of their accumulated sick, vacation and personal time. To track this, the assistant accountant has been updating two Excel databases weekly, one for the public works department and one for all the others.

As with the pay rates, we recommend that the town work with Harpers to add all current leave balances and accrual rates to Millennium. Following this, Millennium will be able to

automatically track all employee leave time in response to regular exception updates by collector/treasurer staff and to any new contract information provided. For contractual annual pay increases, the system can be programed to automatically adjust employee compensation, preventing the need for data entering these updates individually. The town can also request Harpers to print updated leave balances on all employee pay advices. Finally, at year-end, Millennium can provide the accountant with the data needed for reporting the town’s compensated absence liability.

Schedule formal training with Harpers. To take full advantage of these Millennium enhancements and any other useful tools and reports, we suggest that the town request and schedule a formal training session with Harpers for all staff involved in payroll processing.

Overhaul Procedures Related to Parking Tickets

To ensure compliance with state laws and maximize revenues, we recommend the town manager meet with responsible parties to formulate procedures for parking ticket enforcement. Athol accepted M.G.L. ch. 90 §20A½, which lays out rules related to parking fines and hinges on the selectmen’s designation of a town parking clerk, a role currently filled by the collector/treasurer. At present, Athol’s inadequate parking ticket practices put significant revenues at risk due to some procedural weaknesses. On average, the collector/treasurer receives tickets from the police three months after issuance. With this timing, the collector/treasurer’s office risks accepting a payment for a ticket she has no record of and then potentially mistaking the original ticket as a delinquency when it is transferred later. The lack of an active ticket tracking database further delays revenue due to unsystematic collection enforcement and also leaves the town without a means to know the actual total of fines owed.

Parking clerk duties were transferred from the board of selectmen’s administrative assistant to the collector/treasurer during FY2011. After the transfer, a ticket-tracking database was discontinued. This likely contributed to a substantial decrease in annual parking ticket collections (as shown below), but a parking ticket project may uncover other related factors as well.

Parking Ticket Collections by Year

| Year | Amount | Change |
|------|----------|--------|
| FY07 | \$6,086 | |
| FY08 | \$8,800 | + 45% |
| FY09 | \$10,785 | + 23% |
| FY10 | \$20,059 | + 86% |
| FY11 | \$25,615 | + 28% |
| FY12 | \$16,165 | - 37% |
| FY13 | \$13,570 | - 16% |

After a review of the current situation, we recommend that new parking ticket procedures be issued that, at minimum, include the following:

- Per statute, parking tickets issued by the police department must be in prenumbered, triplicate form. Police personnel should affix one ticket copy to the vehicle, retain one copy, and must submit the third to the parking clerk within two business days.
- Collector/treasurer staff should log each ticket upon receipt into a tracking database. This could be designed in Excel or Access, being careful to include fields for the violation date and ticket number, and for calculating additional fees.
- Collector/treasurer staff should update the database as each ticket payment is received.
- At least biweekly, a worker should review the database to identify all unpaid tickets older than 21 days. Each delinquent ticket should be updated in the database with the town's late fee and referred to deputy collector Jeffery & Jeffery to pursue further. The collector/treasurer could find out if these referrals might be sent via emailed reports.
- On a quarterly basis, the collector/treasurer should sort the tickets in the database in numerical order by violation number to determine if any are missing. She should then contact the police department's parking liaison to track down the missing tickets.

We also advise the town to look into contracted, automated services for making the process more efficient. There are many companies that specialize in parking ticket tracking and enforcement. Police personnel could use hand-held devices that print out the ticket, electronically store the data for download to a tracking database, and can even take pictures of the parked vehicles. This would improve overall efficiency, eliminate handwriting illegibility issues, provide evidence for ticket defense, and result in increased collection rates. We recommend that the town manager assign someone to conduct research on this alternative. In the meantime, we also suggest assigning an available senior citizen participating in the town's tax levy work-off program to process tickets in the collector/treasurer's office. Finally, the town should consider adding an online payment option for parking tickets in the same way it provides this tool for tax, excise, and water/sewer bills.

Use Information Technology to Enhance Communications

We recommend that Athol government officials consider making greater use of email and the Internet to better economize staff time and town resources and to improve communication with residents. In the course of our review, we identified areas where information technology could enhance internal and external communications, as described below.

Renew business licenses via email. About 75 Athol businesses must obtain annual licenses from the board of selectmen. The board's administrative assistant maintains files for these companies and, as a courtesy, sends them renewal applications by post. We recommend that for next year, she solicit the license holders' email addresses and thereafter send them emails

with the applications attached or with instructions on where the forms can be found on the town's website.

Email materials for selectmen meetings. For Tuesday meetings of the select board, the administrative assistant posts meeting agendas on the town website by the prior Thursday evening. She also creates packages of supporting materials for the selectmen to pick up at town hall at their convenience. Instead, we suggest that these packages could be emailed as soon as they are complete.

Improve annual town report. State law requires towns to issue annual reports to inform residents of government activities. The town no longer publishes bound, hard-copy reports for general availability but complies with statute by posting the report on the town website. Communication could be improved by posting the most recent report prominently on the town's homepage along with a link to an archive of older reports and by making it a single, searchable portable document format (PDF). We also suggest the town manager review to see if report sections for certain departments or committees should be added or improved. For example, in the interest of informing the public, in most towns, we typically see more financial information in the accountant's section than found in the most recent report.

Revamp town website. A well-designed and informative website provides reciprocal time-savings to residents and town employees. When it is easy to navigate and enhanced with self-service tools, residents can find answers and perform desired tasks, such as paying bills or applying for permits, without conforming to town hall hours. Town employees benefit from the consequent reduction in phone calls and foot traffic. In its present state, however, Athol's website is not being used to full advantage. Only through a trying search can some of the site's most useful information be found. Also, some self-service tools, like the calendar of events, maps, and building reservation application, do not seem to function. It is hard to find relevant documents due to site location and naming vagaries. Some department pages provide no manager name, contact information, or links to common forms.

As governments are continually asked to do more with less, these weaknesses represent lost opportunities. We recommend that the town initiate a project to revamp its website, beginning with the creation of an ad hoc website committee. Appointed by the selectmen and reporting to the town manager, a small working group of three to five volunteers could provide experienced web and communications expertise and help Athol reach out to various stakeholders. Other municipal websites could be surveyed for ideas. We also suggest that the town manager survey department heads to determine the information, documents and forms that would be most useful to residents online. As an alternative, officials may consider contracting out site design and maintenance to a qualified firm. A cost-benefit analysis would be appropriate and may help decide the most appropriate direction for website development and management.

Formulate Policy on Other Post-Employment Benefits

We recommend that Athol formulate a policy for its Other Post-Employment Benefits (OPEB) liability. This liability arises from the obligation to provide retiree health and other insurance, whose costs are not covered by the town's retirement system. As of June 2012, the town's OPEB liability was calculated to be \$25.8 million. Beyond that amount, it is also responsible for

a portion of the OPEB costs for employees of the Athol-Royalston Regional School District, an amount not available at the time of this report.

Like many communities, Athol covers its OPEB costs only on a pay-as-you-go basis (i.e., as line items in annual budgets) with no policy for addressing the unfunded liability as a whole. While this practice may have been workable thus far, it is also shortsighted given the factors that contribute to cost escalation. Many communities have taken measures to minimize their OPEB liabilities, and we recommend that Athol explore these as well. By taking the following actions, the town could achieve cost-savings in the long-term:

- Accept M.G.L. ch. 32 §18B, which requires eligible retirees age 65 and over to enroll in Medicare.
- Verify the Medicare status of retirees over 65 and refer appropriate people for enrollment.
- Audit the group health insurance program to disenroll any ineligible retirees.
- Adopt a rule that blocks retirees who did not enroll in group health insurance from enrolling in the future.
- If not already in effect, adopt a rule that bars elected officials from enrolling in group health insurance.
- Allow employees to waive their rights to group health insurance.
- Negotiate reductions to the town's premiums in new collective bargaining agreements.

Additionally, we advise local officials to consider OPEB funding strategies. While there currently is no mandate to fund an OPEB reserve, many communities have begun doing so. By creating an OPEB trust fund under M.G.L. ch. 32B §20, the town can create a repository for annual contributions, even if only in modest amounts. The town could consider appropriating to the fund amounts equal to its annual Medicare Part D federal reimbursement or saved through conservative health care spending estimates. The fund could also be supplemented through reinvestment with the State Retiree Benefits Trust Fund established in M.G.L. ch. 32A § 24. More information OPEB can be found on the Office of Administration and Finance's website at <http://www.mass.gov/anf/srbtf.html> and <http://www.mass.gov/anf/opeb-commission.html>.

Identify Unspent Bond Proceeds and Unissued Bonds

We recommend that the collector/treasurer and accountant review all the existing bond authorizations approved by town meeting and the remaining balances of borrowings in capital project funds. Each time a capital expenditure is approved and financed, the accountant sets up a separate fund against which project costs are charged. The accountant should run expenditure reports on all such capital project funds and also review the Statements-of-Indebtedness submitted annually to DOR. When projects are found to be completed or abandoned, excess bond proceeds can be redirected by town meeting to other capital purposes. Similarly, the

accountant and collector/treasurer should review debts that have been authorized but unissued to decide if their town meeting bond approvals can be rescinded.

Consider Changes to Finance and Warrant Advisory Committee Procedures

Athol's town charter and bylaws comment on the FWAC's role only in the context of the annual budget process. The committee must receive the town manager's budget no later than 60 days before the date of town meeting. It is directed to hold hearings on the proposed budget, it may require departments to provide financial reports and budgetary information, and it must issue recommendations. From all accounts, the FWAC is diligent in its efforts and its recommendations are well regarded. Nonetheless, we offer the following comments.

With advance planning, the FWAC can meet less often and still fulfill its responsibilities to review and understand all aspects of the budget. Like many finance committees, the FWAC might devote one meeting to each of the major departments (e.g., public works, police, fire). For smaller departments, assigned liaisons might review budgets with department heads and report back. Typically, meetings that include the town manager would be reserved for the review of capital expenditure proposals and some other articles and for final votes. While there is no set number of meetings and unforeseen events can affect schedules, it does not seem that the FWAC would need to meet as early on the budget or as frequently as it now does. Scheduling fewer meetings also lessens the burden on members and helps the moderator's efforts to enlist volunteers to serve.

It is also our opinion that as a practical matter, the town manager's presence is not required at every FWAC meeting. Only when he is on the agenda to present a report or review the budget should he plan to attend. To retain the same level of communication, the FWAC chair might brief the town manager on committee activity or gather needed information soon after meetings.

We also recommend that Athol formally implement a policy requiring departments to channel reserve fund transfer requests through the town manager. Compelling departments to obtain town manager sign-off before the FWAC considers the requests will reinforce reporting relationships and keep the town manager informed. He may even be aware of particular issues and have alternative solutions not yet known to department heads. Once any request is received, the FWAC has sole responsibility to determine its legitimacy.

Expand GIS Capabilities

We recommend that the town expand the use of its geographic information system (GIS), which is provided, updated, and maintained by CAI Technologies. The GIS is a mapping database that allows the town to capture, store, analyze, and display spatial information related to any properties contained in its boundaries. Beginning with one-dimensional maps, the town works

with CAI to add multidimensional mapping layers comprised of various geographic data. Users can then query the database to provide analysis for decision making. For instance, the GIS can display for the assessing office all the properties with similar use codes, sizes, locations, or other features affecting value in a specific area, thereby improving assessment quality and efficiency.

It is our understanding that the assessing department has been taking broad advantage of GIS analyses, and that the fire and planning departments are beginning to add layers that will improve their services as well. We encourage the town to continue these efforts and to consider how the GIS would benefit other departments too. GIS can incorporate overlay information valuable to the water and sewer operation, highway department, conservation commission, and any department for whom the town's real property, infrastructure, or natural feature data is critical. If there are any security concerns about the general public viewing some information, we advise departments to consult with CAI about setting restrictive access levels in the program. We also encourage managers to ask their counterparts in other communities about how they use GIS.

Simplify Town Meeting Warrants

The warrant for Athol's special town meeting of October 21, 2013 contains excess language that we suggest could be left out of future warrants. While no article can be voted on without a town meeting participant making a motion to do so, for the warrant that is posted and distributed to meeting attendees, it is not necessary to include any motion language. Based on the October warrant, Athol has a practice of inserting motion wording that partly or wholly restates the text of each article. By dispensing with this motion text, the town will generate less paper while simultaneously providing a more straightforward guide for voters.

Publish Locally-Accepted Statutes and Special Acts as a Bylaw Appendix

We recommend that the town clerk supplement the general bylaws with an appendix listing all of the town's locally-accepted statutes and special acts. This appendix is a common feature of many community bylaws, and its inclusion would help to provide citizens with a fuller picture of all the regulations governing their town.

Collector/Treasurer

In Athol, the positions of collector and treasurer are functionally combined into the office of the collector/treasurer. The current collector/treasurer has held the position for about three years, and she supervises two full-time staff members: an assistant treasurer and an assistant collector.

A town collector possesses the authority to collect payments on all the town's committed real and personal property taxes, excises, utilities, and betterments. The collector must ensure that payments are properly counted, posted to appropriate accounts, and turned over to the treasurer. The collector also pursues delinquent property owners and moves their parcels into tax title. To be successful, the collector needs to maintain an up-to-date receivable control and reconcile it with the accountant periodically. Credit reports should be run as appropriate and research completed to confirm when refunds are due. The collector is also required to respond to requests for municipal lien certificates in accordance with state law.

As the community's cash manager, the town treasurer has custody of all municipal money. The position's chief responsibilities include assuring timely deposit of all receipts into appropriate bank accounts, monitoring account balances to ensure the availability of funds for town obligations, and investing funds to maximize income and meet cash flow needs. Necessary tools for the job include a cashbook, check registers, debt schedule, and logs for tracking balances in the general fund and in various special funds, such as grants, trusts and revolving funds. Other key duties include the tracking and resolution of tax title accounts. As a financial control, the treasurer must reconcile cash balances and debt, both internally, and externally with the accountant on a regular basis. In Athol, the collector/treasurer department is also responsible for managing payroll and insurance benefits for town employees.

Athol's collector/treasurer contracts with vendors to perform some of the office's tasks. Billtrust creates and mails bills for water and sewer usage and for real estate taxes. Jeffery & Jeffery, Inc. is the town's deputy collector. They issue motor vehicle excise bills, and they collect on delinquent excise accounts subsequent to receipt of a delinquency warrant from the collector/treasurer. They also collect on delinquent parking tickets when referred to them by warrant. They mark the car owners for nonrenewal of licenses and registrations at the RMV and also unmark them once paid.

Prior to autumn 2010, Athol employed separate individuals as town collector and treasurer. With each officeholder planning to retire around the same time, the town decided to combine these positions under one collector/treasurer. The person appointed to the job had been a town employee working in the planning office, and she received a limited amount of training from her predecessors when transitioning to the new position. Since being hired, Athol has paid for her to attend the annual schools of the Massachusetts Collector and Treasurer Association, and she is

working toward certification in each. The assistant treasurer and assistant collector were both appointed shortly before the collector/treasurer. The town has been sending them to the association schools for their areas, each one in alternating years.

The recommendations below propose ways to tighten financial controls and increase efficiencies. Although it was not part of our review to test items for timeliness of processing, in speaking with the range of local officials, some concern was expressed in this area. So along with the efficiency suggestions, we provide some advice on time management. Based on our experience in towns of similar size to Athol, we feel that the office has the appropriate number of staff in appropriate titles. With more cross-training, delegation of tasks, and perhaps some temporary help hired to get caught up on receivable backlogs, we hope the recommendations below will help the office to realize improvements in completing requisite tasks timely and accurately.

Create Work Plan to Improve Time Management

To improve time management, we recommend that the collector/treasurer develop a work plan that identifies department goals and the processes necessary to achieve them. The plan should assign responsibilities to herself and to her staff, and it should specify when during the day, week, and month these tasks need to be accomplished. Tasks to allocate in the plan may include payroll and benefits processing, posting of collections and turnovers, cash and receivable reconciliations, debt management, tax title processing, parking ticket tracking, and administrative matters, like general file maintenance, among others.

By making a balanced, concrete work plan and schedule, the collector/treasurer will be better able to check the timing of activities, provide feedback to staff, and assess her own performance on an ongoing basis. In designing a plan, we encourage the collector/treasurer to consider increasing the responsibilities of the assistant treasurer in particular. With proper training, it is very common to see the responsibility for tasks like bank reconciliations and reporting turnovers to the accountant be delegated to the assistant treasurer. She should also be brought up to speed on aspects of cashbook maintenance. These are vital activities that an assistant treasurer should be able to perform when the department head is absent or occupied with other duties.

Cross-training should also be increased in the office. The assistant treasurer is the primary person for processing payroll, but the other department employees should be sufficiently trained to handle this duty in her absence. In this small office, the assistants can make efforts to learn the other's jobs by shadowing each other during portions of the workday, with the goal that there be no loss of services or lag in task accomplishment when absences occur. The formal work schedule can also build in some flexibility to allow an employee to have a couple of hours to work uninterrupted by the public, provided that there is adequate back-up coverage available.

These undisturbed periods would allow staff time to return phone calls, do bookkeeping, complete analyses, and catch up on any backlogs to maintain the overall task schedule.

Intensify Pursuit of Receivables

We recommend that the collector/treasurer take full advantage of the wide range of legal means allowed for enforcing collection on the town's receivables. Balances in various receivable categories have built up over the years, and these sums represent significant money owed to the town. For guidance on systematic ways to pursue these debts, we provide an exhaustive list of available enforcement remedies in the report appendix.

According to Athol's June 30, 2013 balance sheet, the town's outstanding receivables totaled \$2,916,689. The following table breaks these down by type. Not included are approximately 30 properties already moved from receivables to tax title that collectively owe \$145,677 in taxes, interest and fees. There is also an unknown quantity of unpaid parking tickets, as mentioned earlier in this report.

Outstanding Receivables as of June 30, 2013

| Source | Amount |
|----------------------|--------------------|
| Real Estate | 882,470 |
| Personal Property | 11,936 |
| Motor Vehicle Excise | 301,460 |
| Water | 93,373 |
| Sewer | 116,135 |
| Ambulance | 1,351,727 |
| Cemetery | 3,934 |
| Equipment | 204 |
| Veterans | 115,450 |
| Equestrian Park | 40,000 |
| Total | \$2,916,689 |

One category that stands out is ambulance receivables. In its management letters, Melanson Heath has identified accounting and reconciliation weaknesses related to this balance. So, while there could be some doubt as to the exact amount due, the total is still large and the figure grew by 17% since FY2012's year-end balance sheet. Due to the complexities of medical billing and collection, the town contracts with a specialized vendor. Clearly, more concerted work needs to be done among the town manager, fire department, collector/treasurer, accountant, and vendor to improve the ongoing reporting system between them, to determine the collectable and uncollectable accounts, and to monitor the vendor's contract performance.

The other large category arises from unpaid real estate taxes, and this responsibility rests more squarely on the collector/treasurer. We encourage her to tackle this backlog and to commit to annually placing delinquents into tax title going forward. It is our understanding that since prior to her tenure, there had been a practice of processing properties into tax titles every three years. The last year for which tax titles were completed was FY2010. There are various reasons why the tax title process should be done annually. Collection rates are typically higher at the start of the process and diminish over time. Swift action sends the message that as a policy matter, the town pursues its tax delinquents. A higher interest rate applies to tax titles versus other receivables. Further, there is the issue of fairness because when people fail to pay their real estate taxes, the burden to fill the resulting revenue gap gets transferred to all other property owners. The tax title process has proven the most effective means for communities to collect real estate taxes and could have a significant positive impact on Athol's free cash.

By delaying the tax title process, the town risks losing its rights to outstanding taxes should properties change hands without the town securing liens. Once properties are in tax title, the collector/treasurer should stay current with adding subsequent taxes and continue taking appropriate action to work toward payment agreements, redemptions, or foreclosures. A successful program for collecting outstanding taxes requires the collective commitment of the collector/treasurer, town manager, and board of selectmen, and sufficient appropriation by town meeting. Expenditures paid towards the successful reduction of tax delinquencies and other receivables will pay dividends to the town.

Cease Making Changes to Original Entries

As a critical check and balance, it is necessary for the collector/treasurer and accountant to conduct reconciliations of their respective cash and receivable records. While cash reconciliations have not been troublesome, the same cannot be said for receivables. A collector must maintain a receivable control that begins with amounts loaded from real estate, excise and utility commitments. Updates are made to the control based on payments, exemptions, abatements, and refunds. For her receivable control, Athol's collector/treasurer uses an Excel file she refers to as her commitments. This is the record that she should compare with the accountant at least quarterly.

In any bookkeeping system, mistakes can be made that need correction. However, once the collector/treasurer makes an entry in the receivable control, that original entry should never be altered. Instead, she should make a new entry to reverse the error and also enter an explanatory note. The adjusting entry and note are necessary so that she, the accountant, the external auditors, and future collector/treasurers can see the when, why, and how of the change. Spelling out the rationale at the time helps if later information indicates that the reasoning was not sound.

Further, adhering to this bookkeeping standard provides a current record if unexpected circumstances cause the collector/treasurer to take an extended absence.

We would also like to emphasize here the importance of the collector/treasurer reconciling bank statements to her cashbook. Reconciliation deficiencies have been cited by the external audit firm in its management letter. Melanson Heath & Company is currently engaged in the FY2013 audit, and this appears to be a continuing issue.

The town has one bank account that functions like a pass-through account. The collector/treasurer authorizes transfers to this account to fund payroll and vendor obligations, and the bank should then make the equivalent disbursements. It is not uncommon for banks to complete reconciliations of these types of client accounts. As with any bank account, however, the collector/treasurer should not rely exclusively on the bank's reconciliations. She is still responsible to check bank statements against her cashbook because variances will arise. By not reconciling timely, variances can compile and be harder to sort out. To be useful for verification, the collector/treasurer's cashbook must be able to provide an independent review all bank statements, rather than being backed into agreement with them. The deficient practices related to the receivable control and bank reconciliations cause significant extra work for the financial offices, both at year-end and in annual interactions with the outside auditor.

Revise Practices Associated with Turnovers

As the nucleus of the town's cash management, the success of the collector/treasurer's office depends on adherence to accurate, timely and consistent execution of requisite tasks by its staff and by all town employees who handle money. Our review revealed some areas that could become more efficient and securely controlled. To address these, we advocate that the town manager and collector/treasurer compose and circulate policies and procedures for all cash handling functions, including but not limited, to the following:

Security of departmental receipts. All departments that accept cash should issue numbered receipts even when payers attempt to decline them. These departments should also maintain a receipt log detailing each payment date, purpose and payer. Until being turned over, all money should be stored in a lockbox within a locked drawer or in a safe, if available. Copies of each issued receipt should be included with the turnover to the collector/treasurer, although the receipt log information can remain in the department.

Departmental turnovers to the treasurer. All departments should turn over their receipts to the collector/treasurer weekly or on the same day when an established threshold is reached, like \$100. The current turnover form should be revised to add a line for the department representative to sign his or her name when the turnover is accepted. Any errors identified by a collector/treasurer staff member must be corrected on the turnover form by the department representative prior to being signed as accepted by both parties. After being signed, two

copies of the turnover form should be made. The collector/treasurer retains the original, and the department representative keeps one copy and delivers the other to the town accountant.

Collector complete turnovers to the treasurer. Just as other departments do, the collections staff should complete triplicate turnover sheets weekly, one for the treasurer's side of the office, one for the accountant, and one for collector files. Despite being a combined office, money that passes from the collector to the treasurer must still be treated as a turnover. Doing so provides the paper trail needed for cash reconciliations and the annual audit. Without this documentation, the accountant has no independent source to verify VADAR entries for posting to the general ledger.

Post treasury receipts to VADAR weekly. The current monthly schedule for posting treasury receipts to VADAR should be shortened to weekly. A report of receipts to the accountant should likewise be issued weekly. Maintaining a weekly schedule of collector-to-treasurer turnovers, treasury receipt postings, and reports to the accountant will help to synchronize the general ledger with the treasurer's cashbook and thereby minimize time spent on reconciling variances.

Consider Using Bill Scanners to Expedite Payment Posting

We recommend that the collector/treasurer explore using bill-scanning technology to expedite payment posting. Under current practice, when a collector/treasurer employee receives a payment in the mail or at the counter, she first verifies whether the payment and bill amount agree. She then places any cash in her individual cash drawer and files bills and checks separately by pay type (tax, excise or utility). Cash drawers are closed out at the end of each day. Usually the next day, but sometimes later, the same or another employee posts the accumulated payments to VADAR, generally after the receipts are deposited to the bank.

One way to expedite the posting process is to take advantage of VADAR's bill scanning capabilities. We suggest that the collector/treasurer speak with the town's VADAR contact about the cost to add barcodes to VADAR commitment files and to purchase scanning wands. If this upgrade is implemented, the collector/treasurer could transmit barcode-enhanced commitment files to BillTrust for bill production. Then, for each manual payment received in an amount matching its bill, an employee can scan the bill's barcode with the wand to post it immediately and accurately on VADAR. The instant connection of the barcode to the appropriate VADAR account should significantly speed processing while avoiding keystroke errors. As a check and balance, prior to preparing the day's deposit, an employee would compare a daily VADAR posting report to an Excel tally of all receipts.

Use VADAR's Digital Signature Feature

We recommend the town take advantage of VADAR's digital signature feature to complete the vendor warrant payment process more efficiently. Currently, the collector/treasurer manually

signs all accounts payable checks generated in connection with vendor warrants. This is something that is rarely seen in most municipalities nowadays.

The VADAR database can store the collector/treasurer's signature digitally, and its check-printing job can be programmed to imprint the stored signature on the checks simultaneously with the other payable data. We recommend that the collector/treasurer contact the town's VADAR liaison to get her scanned signature added to the system to enable this feature. If the payroll checks received from Harpers do not have a preprinted signature, the collector/treasurer should contact Harpers about giving them a signature image too.

Establish a Monthly Cash Flow Budget

We recommend the collector/treasurer establish and maintain a monthly cash flow budget, since it is a highly effective tool for the position's most fundamental responsibility, cash management. By tracking income and expense trends, it effectively calculates the cash available to cover obligations at any point in the fiscal year.

The cash flow budget can be designed as a simple Excel spreadsheet. Historic warrants and monthly revenue reports provide the source data to project spending and collection patterns. By lining these up with current-year appropriations and also overlaying debt service obligation amounts, a reasonable forecast of the town's cash flow emerges. The collector/treasurer should replace estimates with actual costs and revenues monthly and also make forecast adjustments when unexpected circumstances arise. The cash flow budget thus helps the collector/treasurer to anticipate low cash periods and to manage short-term investment and borrowing. A sample cash flow spreadsheet can be found on the DLS website via this link: <http://www.mass.gov/dor/local-officials/municipal-data-and-financial-managements/financial-mgt-assistance/calcdandforms.html>

Accountant

The town accountant has the legal obligation to oversee all financial activity of the municipality, and thus plays a critical role in the system of statutory checks and balances established to safeguard local assets. The overarching mission of the position is to monitor the town's revenues and expenditures by documenting the flow of money in and out of municipal accounts. Athol's accountant tracks this by maintaining a general ledger in VADAR. Other essential duties include verifying expense and payroll warrants, generating departmental expenditure reports, and conducting reconciliations of account records with the collector/treasurer. Among required submissions to DOR, the accountant is responsible for producing the annual Schedule A and the year-end balance sheet required for free cash certification. She also collaborates with the principal assessor and town clerk on the annual tax recapitulation sheet.

Athol's town accountant has been in the position for three years and previously worked for many years as an assistant accountant in the town's grant office. She is supported by a full-time assistant accountant. Overall, we found the department to operate on a professional level and in accordance with sound practices and procedures. The office fulfills fundamental responsibilities connected with vendor and payroll warrants and also complies with various internal and external reporting requirements. We therefore only have a few recommendations, including guidance on revolving funds and suggestions for task simplification.

Reexamine Revolving Fund Authorizations

We recommend that Athol review the revolving funds it has established under M.G.L. ch. 44 §53E½ to determine which ones are appropriate to continue under that statute. Communities can sustain §53E½ revolving funds from one year to the next by annually reauthorizing them at town meeting. At the June 2013 town meeting, Athol voters reauthorized ten §53E½ revolving funds. However, five of these do not appear to meet statutory requirements, as explained below.

The Police Detail fund should be closed and its balance transferred into a new revolving fund established under M.G.L. ch. 44 §53C, which is the statute specifically intended for retaining work detail payments. The Waste Facility Debt fund should also be closed because §53E½ expressly prohibits any sewer-related revolving fund. Further, since Athol provides sewer services through an enterprise fund, all associated revenues must be accounted for in that enterprise fund.

Three other revolving funds do not seem to satisfy the "payment in exchange for service" criteria, namely those for Training, Agriculture, and Abandoned Buildings. The basic concept of a revolving fund involves charging a fee for a service or program and using fee receipts to support the same. Revolving fund revenues are accounted for separately from the general fund

and are spent without further appropriation. However, a program cannot be supported by a revolving fund unless it meets three conditions:

- The service or program must provide a specific, tangible benefit to the payer.
- Participation or payment charges must be voluntary, not compulsory.
- The fee charged must directly pay for the service in the appropriate amount to offset the cost of providing the service.

In light of the above, we advise the town manager and accountant to reexamine all the town's revolving funds. For any found to be inappropriate under §53E½, the accountant must treat the program receipts as general revenue. As an alternative for setting aside particular receipts, the town could seek special acts to establish special revenue accounts.

Implement a Batch Invoice Coversheet

Presently, departments submit invoices to the accountant using separate, manual vouchers for each bill. To minimize paperwork, we suggest that the accountant permit departments to batch multiple invoices under a single coversheet. By creating an Excel template with a common format, the accountant could email a customized form to each department. The sheet should display the department's name at the top and include blank fields to fill in dates and signatures. To increase functionality, it could be prepopulated with relevant codes, including usual vendor codes in the first column and corresponding account numbers in the second. Departments will enter bill amounts in the third, blank column, which should include a field at the bottom with a sum formula to calculate the total. On blank rows, they can enter information for less common vendors. To make the implementation more manageable, the accountant could consider working with one department per warrant until each has their own customized coversheet.

We also suggest that the accountant discontinue attaching original invoices to the vendor warrant provided to the selectmen. VADAR should be able to supply sufficient data with the warrant's list of vendors and payment amounts for the select board's review and endorsement. The accountant should simply keep the associated set of the invoice documents until checks are issued and then file them with the signed warrant.

Create Vendor Accounts in VADAR for Veterans Benefits

In order to make disbursements to residents eligible for Veterans Affairs benefits, once a month, the assistant accountant data enters into VADAR the payee details and amounts for about 20 people. Instead of having to enter the same data repetitively, we suggest that the accountant create individualized "vendor" accounts for each recipient. She could create a specialized vendor code starting number, as she might do for department-specific vendors, so that she can

easily identify these payees as not being true vendors. Since vendor warrants come under public information access laws, to avoid any privacy issues, the accountant could generate a warrant specific to only these accounts as a group, to be separately signed by the selectmen and not subject to public access.

Consider Using Scanners for Invoices, Contracts and Grants

For audit purposes, the accounting department is required to maintain original invoice documents. We recommend that Athol consider purchasing document scanners for its large departments and for the accountant's office. Although the accountant would still need to receive original invoices, big departments like police and public works could use scanners to reduce the storage of their copies of payable requests, cut down on filing time, and provide quicker, online access for reference. The accountant's office would also realize this file access and maintenance benefit if it had a scanner for making electronic copies of all the town's contracts and grants.

Assessors

The Athol Board of Assessors consists of three appointed members whose primary responsibilities involve reviewing and approving valuations, abatements and exemptions, and signing off on annual overlay and new growth estimates. One of the board members functions as full-time department head under the title of principal assessor. The department also includes a full-time assistant assessor, and both employees have been in their jobs for about 16 years.

The assessors' office is responsible for valuing all real and personal property in town and generating the commitments that authorize the collector/treasurer to collect real estate taxes, betterments, and motor vehicle excises. The assessors annually review property assessments to ensure that they reflect full and fair cash value. Subject to the approval of the board of assessors, the principal assessor sets the annual overlay amount and makes decisions on all abatement applications and property tax exemptions. Other duties of the assessors' office include updating tax maps and deeds, responding to public inquiries, and soliciting information from taxpayers through forms of list and income and expense statements.

The office contracts with Vision Government Solutions, Inc. to perform interim-year adjustment and cyclical inspections. It also uses Vision's computer assisted mass appraisal system to maintain property record data and create property tax commitments. The Vision database is the source of the property information used to complete the tax recapitulation sheet submitted to DOR for approval of the town's annual tax rate. In addition to providing the town's GIS, CAI Technologies does its annual map updates.

Based on our review and the Bureau of Local Assessment's experience with Athol's assessing office, it appears to be operating well. The full-time staff members have many combined years of experience and work well together as a team. The office fulfills its responsibilities, completes requisite tasks, and complies with state regulations. Accordingly, we do not have any recommendations to offer for this area.

Appendix A

| Personnel Action Form | |
|---|---------------------------------------|
| Status Change | |
| New Hire: _____ Name or Addr: _____ Promotion: _____ Transfer: _____ Termination: _____ Loc Change: _____ | |
| Effective Date: _____ | |
| Employee Information | |
| Employee Number: _____ | Date of Birth: _____ |
| Last Name: _____ First Name, MI: _____ | |
| Address: _____ | |
| City, State, Zip Code: _____ | |
| Sex: _____ Race: _____ | |
| Position Information | |
| Is this a New Position (Y/N) _____ Previous Incumbent's Name/Emp Number: _____ | |
| Job Class: _____ Position Number : _____ Title: _____ | |
| Union Code: _____ Benefits Eligible (Y/N) _____ | |
| Salary & Wage Information | |
| Proposed Salary @ 52 Week Year: _____ | |
| Salary Schedule: _____ | Range: _____ Salary Grade Step: _____ |
| Step Date: _____ | |
| Pay Code: _____ | Pay Group: _____ Pay Frequency: _____ |
| Annual Pay: _____ | Weekly Pay: _____ Hourly Pay: _____ |
| Longevity: _____ Retirement: _____ | PT 457: _____ FTE Status: _____ |
| Please List Any Stipends/Amounts/Charging: _____ | |
| <i>*Please note if the Stipend has an end date,</i> _____ | |
| <i>and include any pertinent contract</i> _____ | |
| Educational Incentive: _____ | |
| Schedule Information | |
| Full-Time: _____ Part-Time: _____ Permanent: _____ Temporary: _____ | |
| Anniversary: _____ Schedule: _____ Hours/Day: _____ | |
| Location Information | |
| Reports To: _____ Base Location: _____ Check Location: _____ | |
| Required Approvals | |
| Employee (name / addr changes) | _____ SIGNATURE DATE |
| Department Head | _____ SIGNATURE DATE |
| Town Manager | _____ SIGNATURE DATE |
| Accountant (if finance-related) | _____ SIGNATURE DATE |

Appendix B

Tools for Municipal Collections

Tax Title/Foreclosure Process

- Demand letter issued for overdue taxes after close of pay period
- 14 days after demand - publication and posting of notice of taking
- 14 days after notice of taking - execution of taking
- Within 60 days of taking - Instrument of Taking recorded at Registry of Deeds
- 6 months after taking – Petition to Foreclose filed in Land Court
- 14 months (generally) to Foreclosure Decree in the Land Court
- 14 days to notice of sale by public auction

License and Permit Rejection/Revocation (40:57) - With local acceptance of M.G.L. ch. 40 § 57 and adoption of a bylaw or ordinance, a municipality has the authority to deny, revoke or suspend any local license or permit to any person delinquent for more than 12 months in the payment of taxes, fees, assessments, betterments, etc. Typically, a system is set up in which, each year, the collector and other offices that receive payments circulate a list of delinquents. The action to deny, revoke or suspend is carried out by the license or permit granting department.

Local Intercept Program (60:93) - Under M.G.L. ch. 60 § 93, the treasurer shall, on request of the collector, withhold wages from municipal employees or the payment of money due any individual from the municipality, where taxes, assessments, rates or other charges committed to the collector are owed. The amount withheld cannot exceed the total amount due, and at any one time, the amount withheld must be the lower of 25 percent of disposable earnings or the excess of disposable earnings over thirty (30) times minimum wage.

Seizure and Sale (60:24-28) - Under this law, a collector may seize tangible personal property for nonpayment of real or personal property tax. Limitations restrict what constitutes seizable property. For collectors, there is the risk of personal liability for damages to holders of a security interest or other form of lien on the property seized and sold. Specific procedures must be followed, and the sale of property at public auction must occur within 30 days after the seizure.

Civil Suit (60:35) - A municipality may bring a civil action in the Superior or District Court (depending upon amount owed) within six years of the tax due date if the delinquent is personally liable for the tax. For claims up to \$7,000, Small Claims Court is an available route. Upon receiving a judgment, the property of the delinquent can be auctioned through a sheriff's

sale. This is regarded as an appropriate option primarily when a tax taking cannot be legally executed.

Payment Agreements (60:62, 62A) - Installment payments are permitted (§62) up until the time when a complaint is filed in Land Court, unless otherwise approved by the Court. Municipalities may, by ordinance or bylaw, authorize treasurers to enter into payment agreements (§62A) with persons entitled to redeem parcels in tax title. The ordinance or bylaw can specify that up to 50 percent of accrued interest on the tax title account may be waived and that agreements may last up to five years. With the execution of the agreement, the person with redemption rights must pay 25 percent of the amount needed to redeem the property. (See also: DOR IGR 05-208, June 2005)

Bulk Assignment (Sales) of Tax Receivables and Liens (60:2C) - The collector may assign tax receivables, in bulk, subject to limitations and procedural rules. In the first instance, an assignment of receivables for any year must include all receivables on the property for any preceding years. Otherwise, receivables may be bundled according to various criteria including: parcel value, owners unknown, owner occupancy, delinquency age, receivable value, parcel characteristics, square footage, etc. The receivables must be sold at public auction and awarded based on specified evaluation criteria, including minimum price requirements. Interest accrued may be discounted up to 50 percent. (See also: DOR IGR 05-208, June 2005)

Assignment of Tax Titles (60:52) - A treasurer may assign the tax title on one or more parcels at auction to the highest bidder. The price must at least equal the redemption amount, plus interest that accrues up to when the assignment is recorded and a premium cost, if any. Interest on an assigned tax title accrues at 16 percent and represents the incentive for a potential purchaser. However, the assignee's position is subordinate to the municipality, which retains an interest in subsequent taxes on the assigned property and which cannot be assigned. (See also: DOR IGR 05-208, June 2005)

Collector's Sale (60:40-50) - This involves the sale of land only by auction. The purchaser's title is subject to the prior owner's right of redemption, and he has no right of possession until the right of redemption is foreclosed under Land Court rules. The price must at least equal taxes, interest, and any intervening charges due on the property.

Deeds in Lieu of (60:77C) - Cities and towns may accept a deed as an alternative to a tax taking or foreclosure provided that all those with an interest in the property join as grantors. Town meeting or the city council must accept the deed, after which the property is treated as a tax possession. Taxes, charges and fees are regarded as if paid and as if foreclosure had been completed. Recording the deed permanently bars the grantors from reacquiring the property.

Land of Low Value (60:79-80) - With approval of the Commissioner of Revenue, a treasurer can file a Land Court complaint for foreclosure after 90 days from the tax taking rather than the customary six months. The accelerated process is restricted to land only where the property is of insufficient value to cover taxes, interest, fees, and charges due; the value is less than \$20,300 (calendar year 2013); and a lawful tax taking has occurred. Also under the statute, residential properties of six units or less and deemed abandoned may be placed on a fast track to foreclosure if targeted for rehabilitation as residential units.

Owners Unknown (59:11) - If, after a diligent efforts, assessors cannot find an owner of record, the Commissioner of Revenue can authorize assessors to make an assessment on the property to persons unknown. If the taxes remain unpaid after demand, the property is moved through the tax title and Land Court foreclosure process.

Tax Collection Service (60:2B) - Through a request for proposals and low bid process a municipality can engage the services of a collection agency to collect taxes where a demand has been made, with the exception of property taxes. Compensation for the collection service is limited to the larger of the fees that would otherwise be due the collector or one-third of the taxes collected. The charge would be added to the amount due.

Acknowledgments

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