



Town of Bellingham

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

March 2006

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 for the Town of Bellingham.

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 Technical Assistance Section. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen and finance committee, the town administrator, town chief financial officer/accountant, treasurer/collector, chief assessor, information systems manager, as well as other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, town meeting warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records.

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 budget, warrant approval and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials, departments 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 members of the board and others, 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.

Overview

Bellingham is a town of approximately 15,760 people located within the I-495 south corridor, along the Rhode Island state line and generally equal distance from Boston, Worcester and Providence. The town has locational characteristics, i.e., proximity to an interstate highway and to employment centers, that has caused enormous residential growth in other similarly situated communities. However, even though the town has experienced an increase in residential condominiums well above the statewide average and an increase in single family parcels equal to the state average, overall growth as measured by total number of new parcels remains below the average among all municipalities. Fueled by subdivision development, the number of parcels in the state rose 5.6 percent between FY00 and FY05, and by only 2.3 percent over the same period in Bellingham.

More importantly, commercial and industrial tax base growth in Bellingham has had the effect of shielding residential property owners from the dramatic tax increases experienced by homeowners in other communities. For FY06, only 63.2 percent of the town's tax revenue was generated from residential properties while 36.8 percent of the taxes raised were derived from commercial/industrial and personal properties. The state-wide averages were 73.3 percent and 26.7 percent. Of 326 cities and towns reporting to date in FY06, the percent of the levy borne by residential property owners was lower in only 26.

At the same time, the average single family tax bill in Bellingham has historically remained below the statewide average. In FY05, the town's average single family tax bill of \$2,684 was well below the state -wide average of \$3,588, and ranked 230th among 340 reporting communities. The town's FY04 equalized valuation per capita (\$129,884), a measure of community property wealth, was only slightly above the state-wide average (\$127,176). To further provide relief for residential owners, Bellingham is also one of 107 communities that shifts the tax burden from residential properties to commercial and industrial properties. In FY06, the residential tax rate was \$9.79 compared to commercial/industrial and personal property tax rates of \$14.05 and \$13.97 per thousand dollars of assessed value. To help small commercial businesses, the town has adopted the small commercial exemption.

Operating in this environment, managers of the town's fiscal affairs have been consistent and effective. This success is attributable in part to the continuity of competent personnel and to the well thought-out allocation of resources.

In town hall, the town administrator (18 years), chief financial officer (13 years), treasurer/collector (12 years) and chief assessor (11 years) all have significant longevity in local government. Members of their staff do as well, while those with the shortest tenure arrived with valuable private sector experience. The result is a team of capable people overseeing town finances. They function within a system where goals are set, roles are clear and well-defined procedures are carried out regularly.

Achieving stability in government has also been aided by revenue sources not necessarily available to other communities. For instance, in FY02, and FY04, the town benefited from \$1.4 million and \$400,000, respectively, in new growth revenue above historical levels. In FY04, the town was able to capture \$600,000 in excess levy capacity. In both instances, the revenues helped the town offset operating cost increases. The additional revenue continues to be available into the future, and compounds by 2½ percent annually, as part of the permanent tax base. The town also receives \$4-4.5 million annually in negotiated payments from the owners of two power plants which are located in Bellingham.

These income sources work in tandem with the sound budget strategies and formally adopted policies on the use of reserves. As a result, the town generates meaningful free cash and sustains healthy annual balances in its general stabilization fund, and a tax stabilization fund which was established in 2002 through a special act of the Legislature. These decisions on spending and reserves have, in turn, helped the town manage its finances without turning to an operations override under Proposition 2½. Its only override proposal, for \$352,671, was rejected by voters in May 1990.

Challenges, however, lie ahead. Prior non-recurring revenue cannot be relied upon in the future and, although a relatively steady income stream, the power company revenue is expected to diminish over time. On the expenditure side, Bellingham, like all municipalities must grapple with cost escalations each year particularly for employee health coverage and special education.

To its credit, the town has a management structure in place which is well-suited to anticipating and planning for future fiscal events. It has reserves and policies to guide their use and regeneration. Most important, there appears to exist the discipline and commitment to abide by the policies that have been adopted.

This structural underpinning should serve the town well as it develops future financial strategies and, more immediately, as it prepares for the departure of its chief financial officer (CFO). Whenever that occasion arises, change will follow. As the town's first and only office holder, the CFO has, with the support of the town administrator, established parameters for performance that may be beyond the scope of a successor's job description. Anticipating this likelihood, the town administrator has begun formulating thoughts on the future organization and allocation of responsibilities in the town's finance department. Our recommendations offer suggestions that echo and expand on his current thinking.

Other report recommendations address minor issues of compliance and suggestions for gaining efficiencies in day-to-day financial operations.

Overall Financial Management

A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact town government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the town's organizational structure on the operation of government. We examined the purchasing system and personnel administration. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

In terms of overall financial management practices, the town of Bellingham is managed well and functions effectively. This appears due to active, collaborative leadership, capable staff, to the longevity of each and to clear goals. Over time, procedures have evolved and personnel have become proficient in carrying them out. Formal fiscal policies have been adopted. The budget process follows a schedule and builds toward consensus with clear roles for the town administrator, chief financial officer, selectmen and finance committee. Set procedures ensure that recurring tasks are routinely accomplished. Town receipts are posted and deposited, vendor and payroll warrants are prepared, and town bills get paid each week. With on-line access to bank accounts, cash reconciliations are completed daily. As a result, checks and balances are in place and, in instances, they are overlaid by redundant financial control procedures. On a daily, weekly and monthly basis, staff know what to expect and understand what is expected of them.

In this context, we offer recommendations that can generally be separated into one of three categories: 1) those that are corrective in nature; 2) those that are intended to help improve current operations; and 3) those that are forward looking.

As a group, the recommendations do not alter our high opinion of the town's overall financial management operation. They do, however, allude to a certain comfort level with the ways things have always been done. Whether this is a positive or negative by-product of the long-term stability and continuity Bellingham has experienced, we offer recommendations from a step away, and from a neutral position outside town operations.

We encourage quick implementation of the so-called "corrective" recommendations. These represent areas where the town needs to be in compliance with, or in its practice, closer to the implicit intent of state laws and regulations.

We hope the town will carefully consider recommendations directed to improve operations. In virtually every instance, we would expect our recommendations to elicit

discussion, and perhaps healthy debate, among those touched by the subject matter. In the end, however, these represent areas where efficiencies may be gained.

Finally, we make recommendations that have a forward looking perspective. Some would require union approval or voter approval. Among others, that might be accomplished in a shorter time frame, are recommendations intended to address the inevitable transition to a different chief financial officer.

Conclusion - The experience of most towns is that, over time, demand for services increases, together with the expectation that town hall will be a responsive and professional operation. Because Bellingham has experienced in recent years a degree of fiscal stability that has alluded other towns, it may not yet feel this type of pressure. However, now as the decision makers look to maintain service levels with perhaps diminishing, and at least uncertain resources, a commitment to revisit priorities and re-examine procedures should become an imperative. Multiple fronts will command attention, but a continuation of the strong leadership seen to date and an open-mindedness to new approaches can be instrumental to sustaining the town's fiscal health.

Summary of Report Recommendations

- 1) Discontinue Certain Revolving Funds
- 2) Return Commitment of Trash Bills to Water Services Office
- 3) Have Treasurer Sign Vender Checks
- 4) Review Town Relationship with Deputy Collector
- 5) Add Enterprise Fund Articles to Annual Town Meeting Warrant
- 6) Shift Billing Cycle for Trash
- 7) Re-Examine Water/Sewer Final Bill/Recommit Process
- 8) Accelerate Tax Title Process and Prioritize Accounts
- 9) Have School Department Deposit Student Activity Receipts
- 10) Mail Sale Questionnaires
- 11) Have Selectmen Sign Two Copies of Warrants
- 12) Include Property Owner Names With Web Site Assessing Data
- 13) Address payroll and Vender Warrant Process
 - Empower Town Administrator to Sign Warrants
 - Move All Employees to a Bi-Weekly Pay Period
- 14) Consider Future Structure of Finance Department
 - Transfer MIS Director Title
 - Take Steps to Facilitate New CFO Transition
 - Transfer Responsibility for Classification Hearing to Chief Assessor
- 15) Consider Implementation of Purchase Order System
- 16) Review Redundancies in Financial Practices
- 17) Remove Articles 2, 3 and 4 from the Annual Town Meeting Warrant

Summary by Department

Chief Financial Officer/Accountant - The chief financial officer (CFO) is a full-time, appointed position created in 1993 with the adoption of a town charter. The CFO also serves as the town accountant and carries the title of MIS director. Since its creation, only one person, the current officer holder, has held the position. Among primary responsibilities, the CFO manages a finance department with its staff of 11 including the administrative assessor and technology manager, the treasurer/collector, assistant treasurer/human resources manager, assistant collector, collector's principle clerk, treasurer's clerk (school payroll), treasurer's clerk (school and town payroll), assistant town accountant, accounting clerk, and assessing clerk.

Because of experienced and capable staff, the CFO is appropriately able to focus on higher level matters. She pays close attention to investments and debt management, monitors warrant activity and the resulting cash flow needs. Revenue projections are of on-going interest, particularly as agreements for payments in lieu of taxes (PILOTS) with two local utility companies near renegotiation. On a daily basis, she makes general ledger entries and completes reconciliation of cash and receivables. Each year, the CFO reviews financial policies and orchestrates formulation of the annual operating and capital budgets. She also estimates that approximately 25 percent of her time is devoted to matters at the request of the town administrator.

Accounting office staff includes an assistant accountant, who has worked in the office since 1993, and the accounting clerk who has 5½ years of experience. Together they receive departmental turnovers of receipts, process invoices and prepare vender and payroll warrants, print vender checks, and make journal entries.

As a result of the work of the accounting office, the town is always timely in submitting the its annual Schedule A by October 31 and its year-end Balance Sheet (for Free Cash certification). The CFO also oversees preparation of the town's Tax Recap Sheet.

Treasurer/Collector - When the charter was adopted in 1993, provisions combined the treasurer and collector's offices and converted them from elected to appointed positions. The current treasurer/collector was originally elected collector in 1992 and was then elected to fill the unfinished term of the treasurer in 1993. By 1995, she was appointed to the combined position. Currently, the treasurer/collector's office operates with a staff of six.

The treasurer is a community's cash manager and, as such, has custody of all municipal money. To maximize interest income, the treasurer must post and deposit into town accounts money collected by other town departments and turned over to her. Even with a CFO, the treasurer has the legal responsibility to invests town funds, monitor cash flow needs, and pay town obligations on presentation of a signed warrant by the selectmen. The treasurer also oversees the town's tax title program.

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. As a town collector, the office in Bellingham receives other payments as well. In either case,

collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Credit reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days. In most communities, the collector manages the contractual agreement with the Deputy Collector.

Through the long-term administration and guidance of the CFO and the general longevity of staff, the combined treasurer/collector's office operates effectively under a series of procedures that are well defined and understood. The allocation of duties and responsibilities among staff are equally clear. The capability of the Admins financial management software and the proficiency of the staff in its use have also contributed significantly to a high performance level. Checks and balances are in place, in some instances, to the point of redundancy.

The assistant treasurer functions in the dual capacity as the town's human resources director. She has separate work space which is part of a larger storage area on the lower level of the building. It is here where all personnel information is stored in locked files, and where there is sufficient and appropriate privacy for meetings with town employees and retirees.

Assessors - The assessors' office ensures that residents are taxed equitably and accurately. Toward this end, it is responsible for maintaining up-to-date property information, valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect real estate tax and motor vehicle excise payments.

In Bellingham, the day-to-day assessing function is overseen by a full-time chief assessor who is also a member of the three member, part-time board appointed by the selectmen. The board generally meets each month and focuses on abatement and exemptions. The chief assessor has worked in the office for 11 years - five in her current position -, while an assistant assessor has equal longevity. Although the town benefits from the collective experience of staff, because each has accumulated extensive vacation time, coverage is sometimes an issue.

The volume of work in the Bellingham assessing department involves approximately 6,600 total real estate parcels and an additional 345 personal property accounts, billed on a quarterly basis. Over the course of one year, commitments are generated for about 16,800 motor vehicles. Typically, the office receives more than 40 residential abatements and over 400 exemption applications per year. About 70 property owners take advantage of the small business exemption annually.

The office relies on Patriot appraisal software to value properties and store property information. A software upgrade was schedule for installation in February. Mayflower Properties, an outside consultant, inspects properties involving complex building permit work and the assistant assessor conducts drive-by inspections of the remaining properties. Otherwise, updated property information is collected through the cyclical reinspection program which is

scheduled for completion in three years, as is a program to photograph all town property. The office mails forms of lists annually to gather data of personal property and reportedly experiences an 80 percent return. However, sale questionnaires are not sent. The real property valuation analysis is completed by Mayflower and personal property is valued by Patriot. Assessors contribute to the completion of the Tax Recap sheet and are diligent in making commitments to the collector.

Computers and Technology - When town government began its occupancy of the new municipal center, it moved into a facility fully networked and equipped for high technology capability. Fifteen servers, installed in the adjacent Annex building, form the backbone of a network that connects town hall offices, together with seven other town departments in remote locations. The servers support 60 or so desktop computers, 25 of which are in the municipal center. The servers are also smaller in capacity, by design, so that individual units could be dedicated to singular functions.

All town offices have email capability, and virtually all have internet access, both of which are subject to written policies. Desktops, operating on Windows 2000 or XP, are installed with Microsoft word processing and spreadsheet applications, as well as special purpose software in various offices.

Although the finance director is the town MIS director, day-to-day technology support on a wide-ranging basis, is provided by a full-time informational technology manager, who has been in the position for six years. She also serves as the town Webmaster. The town contracts with a network consultant and vendor support is available, under annual contracts, for more complex problems involving special use software.

The manager develops and implements hardware and software upgrades, oversees regular data backups, and responds to staff computer problems. She is also instrumental in the development of the technology budget and in the formulation of a seven-year capital investment projection.

Recommendations

Recommendation 1: Discontinue Certain Revolving Funds

We recommend that the town cease to approve certain revolving funds. When a municipality raises revenue, or receives payments, in exchange for providing a service, it may set aside those receipts in a revolving fund. The funds must then be used to support the service provided, and can be expended without further appropriation. Revolving funds can only be established under statutory authorizations where purposes are defined and other restrictions apply.

The May 2005 town meeting warrant article lists, for annual re-authorization as required, a number of revolving funds. Some, however, fail to satisfy the “payment in exchange for service” test. They include revolving funds to receive donations to the Historical Commission, lease payments and rental fees from the “BayBank Lease,” and lease payments from Nextel.

To set aside these receipts, the town can seek as it has in the past special acts permitting it to establish special revenue accounts, or it can create targeted stabilization funds under MGL Ch. 40 Sec. 5B. In the meantime, the income referenced above must be accounted for as general fund revenue.

On the other hand, the town might consider establishing revolving funds, if it hasn’t already, for the Council on Aging (COA) and Wetlands Protection Act money. A revolving fund allows the COA to collect, segregate and then disburse money (through the venter warrant) for purposes that are difficult to budget for in advance, such as for trips, excursions and outside programs. Fees collected under the Wetlands Protection Act can only be used for specific purposes and any remaining balance must be returned to the particular developer who paid the fee. In this instance, a revolving fund is an effective accounting mechanism.

Recommendation 2: Return Trash Commitment to Water Services Office

We recommend that the town separate responsibility for creating the trash commitment from the collection function. As a matter of sound financial management practice, those responsible for determining payments due the town should not also be charged with collecting those payments. That is why the assessors' create then transfer the real estate tax commitment to the collector to receive payments. Motor vehicle excise commitments are treated the same way, and so should water and sewer billing. Although the trash fee is set by the selectmen, the treasurer/collector's office creates the trash commitment, and is, at the same time, responsible for receiving payments from property owners. We recommend, instead, that creation of the trash commitment list be transferred to water services office in the DPW. The water services clerk already takes all trash-related complaints, maps out trash pick-up routes, coordinates the recycle center and, in fact, formerly, committed trash bills.

Recommendation 3: Have Treasurer Sign All Checks

We recommend that the treasurer sign all checks after warrant approvals. Although not always the practice, currently, the treasurer's signature is printed onto vender checks by the accountant's office which produces the checks. The treasurer's office already prints payroll checks and affixes a signature. In both instances, a printer cartridge creates the ability to print a signature and in both instances, the signature appears on the checks prior to payroll or vender warrant approval. The cartridge is maintained in the treasurer's office and made available to the accountant when vender checks need to be produced.

While it may appear a technicality, under the General Laws, it is the sole responsibility of the treasurer to disburse town payments, and only on order of the selectmen through approval of warrants. The power to sign checks is not transferable. The execution of a check, even if not disbursed, is not permitted until authorization is granted.

Therefore, if the accountant continues to print vender checks, we recommend that the process not include affixing the treasurer's signature. Alternatively, responsibility for printing vender checks can be transferred back to the treasurer, but in either event, the treasurer's signature should not be placed on checks until after payroll or vender warrant approval.

Recommendation 4: Review Town Relationship with Deputy Collector

We recommend that the chief financial officer review the present relationship with the town's deputy collector to ensure compliance with state requirements. It is our understanding that the town's deputy collector maintains a bank account for the town into which receipts are deposited. Regularly, the receipts are turned-over to the town net of service fees which the deputy collector retains.

Under DOR regulations, deputy collectors are held to standards and requirements relative to the custodial care and turnover of town funds (DOR Informational Guideline Release 90-219 at www.dls.state.ma.us under IGRs). Specifically, delinquent payments, including fees and charges received by the deputy collector must be deposited in a bank account held jointly with the town collector, or turned-over immediately to the town treasurer. The deputy collector receives fees for service in the first instance by way of a check drawn on the account and co-signed by both parties. Where collections are turned over to the town treasurer, the deputy collector is paid through the warrant process. In any event, the deputy collector is required to make frequent turnovers and detailed reports to the town, as well as conform to other requirements. For instance, the tax collector should also verify that interest payments continue to accrue on delinquent accounts after they have been "marked" at the registry of deeds.

Recommendation 5: Add Enterprise Fund Articles to Annual Town Meeting Warrant

We recommend that the annual town meeting warrant include separate articles authorizing expenditures for each of the town's enterprise funds. The omnibus budget proposal presented in the town meeting warrant now includes projected enterprise expenditures for salaries and expenses. Enterprise related receipts are listed at the end of the budget.

Each enterprise fund appropriation should be also be approved in its own separate budget article that breaks out expenditure detail and identifies specific revenue sources. We direct the town administrator and chief financial officer to the DOR publication entitled "Enterprise Funds" (June 2002) which outlines the proper procedure for presenting and approving enterprise fund budgets. It can be viewed at www.dls.state.ma.us under publications.

We also note that in regard to funding the budget, added language states with emphasis, "VOTED: Monies to be raised by taxation unless otherwise noted." Because water and sewer enterprise funds are funded substantially through usage rates, the appropriation line for each would be examples where an alternative revenue source would be noted. When enterprise budgets are presented in a separate article, revenue sources are immediately clear. Where transfers are approved at the end of the budget, reference to "Interfund Transfer" should be more specific, i.e., the fund from which the money originates should be named.

Recommendation 6: Shift Billing Cycle for Trash

We recommend that the billing cycle for trash payments be shifted to March and September. This recommendation is intended to help spread out the workload in the collector's office more evenly over the year. Currently, the January and July pay periods for trash bills coincide with quarterly billing periods for real estate taxpayers. We suggest sending trash bills by March 1 and September 1. Since trash removal is a flat fee, rather than based on usage, the change would have nominal impact for a property owner, and might ease their financial burden by spreading municipal payment obligations out.

Thereafter, the collector's office would receive approximately 5,700 real estate payments in January, April, July and in October, in excess of 10,000 motor vehicle excise payments in February, and 4,200 payments for trash in March and in September. Water/sewer payments are already evenly distributed over 12 months.

Recommendation 7: Re-Examine Water/Sewer Final Bill/Recommit Process

We recommend that the water services clerk and the town collector explore ways to streamline the process when changes in property ownership and service occur. When a property on town water changes title, the seller typically requests and receives a closing statement from the water services office. The statement reflects actual water usage from the end of the last six-month billing period to the date of the sale closing. A copy is forwarded to the collector who

treats it as a commitment. The subsequent water bill goes to the property in the name of the new owner and reflects usage charges only since the sale closing date.

With a high volume of monthly sales, these commitments can create a workload burden for the collector's office. In most other instances, sellers are required to produce a municipal lien certificate at a property closing and are charged in the closing documents for what they owe, i.e., for water usage. The subsequent bill goes to the property address and includes charges for the entire billing period. It is paid by the new owner who pays for his actual consumption and was credited at closing for usage prior to his occupancy.

The water services clerk and the collector's office should review how the process works and impacts respective departments in order to arrive at a mutually beneficial collection method.

Recommendation 8: Accelerate Tax Title Process and Prioritize Accounts

We recommend that the town move receivables into tax title sooner. The collector's tax title program typically begins within a week after the close of the 4th Quarter pay period for property taxes with a mailing of delinquent notices. By November, a notice of tax taking is sent, and by the following April, almost one year after the initial delinquent notice, receivables are moved into tax title together with the first subsequent tax bill.

It is our understanding that the purpose in stretching out the tax title process is to give residents a chance to pay. We suggest the collector's office determine whether or not this is actually happening, and if so, to what degree. Even if there is late activity, payments might arrive sooner under the threat of an accelerated tax taking process.

We recommend that the treasurer prioritize properties for foreclosure. Of 94 properties and \$489,988 in tax title as of January 30, 2006, 13 properties account for \$244,593, or 50 percent of the back taxes owed the town. The amounts range from \$10,385 to \$44,344 per account. Delinquent taxes on six additional properties total another \$56,925, or more than \$9,000 each. We recommend that the collector place a priority on these tax title accounts and determine how best to put them on the fast track toward foreclosure.

Recommendation 9: Have School Department Deposit Student Activity Receipts

We recommend that the school department be responsible for depositing all student activity receipts directly into the appropriate account. As a matter of practice, the collector deposits tax, excise, water/sewer and trash receipts directly into the treasurer's repository account. Then the deposit slip, rather than the cash, is included as part of the turnover documentation to the treasurer. If any error occurs, it will be picked-up during a reconciliation which this finance staff completes frequently. The school department already handles school lunch receipts the same way. We recommend that the school department do the same with all student activity receipts. In this way, the treasurer's office will be relieved of recounting, sometimes, large amounts of cash and the receipts should get deposited sooner to begin earning interest.

Recommendation 10: Mail Sale Questionnaires

We recommend that the assessors' office mail sale questionnaires to all new property owners. Gathering information pertaining to recent sales allows the assessors' office to maintain accurate property descriptions and a measure of market trends. In Bellingham, the assessors gather information on sale properties through a daily download and review of descriptions in the Multiple Listing Service (MLS), inspections of about 20 percent of the transactions that occur (100 or 500 sales in FY05), and through working relationships with developers who share floor plans, descriptions and other information typically on new construction.

It is our understanding that the chief assessor has already adopted this recommendation and recently mailed sale questionnaires to new property owners. The work was completed by office staff.

Recommendation 11: Have Selectmen Sign Two Copies of Warrants

We recommend that the selectmen sign two copies of each warrant they approve. A warrant, signed by the selectmen, authorizes the treasurer to release payroll or vender payments. A second signed warrant, whether a copy or with original signatures, should go to the accountant, not just to create a duplicate record in the office, but to provide confidence that when research is conducted, it is in reliance on an official document. A third copy which routinely goes to the chief financial officer need not have signatures.

Recommendation 12: Include Property Owner Names With Assessors' Web Data

We recommend that the town include property owner names to assessing information already on the town web site. Electronic communication is now commonplace in government as well as in peoples' private lives. The web-based dissemination of information and data is frequently sought and expected. As a result, the state and a vast number of communities make public information available to residents and others on town web sites as a service. Included are the various Registries of Deeds where on-line searches by name will yield property addresses.

Bellingham is no different. However, by withholding property owner information from its assessors' data on the town website, the town does little to achieve its goal of protecting privacy rights, but inadvertently adds to the workload for the two-person assessors' office staff. Failing to find property owners names on the web, those seeking information telephone the office instead. Since the name of a property owner is public information, staff comply with requests. Forcing a person to travel to town hall for the information is no less disruptive.

Ultimately property ownership information is available, and notwithstanding good intentions, the town would be doing greater service toward its residents and employees if the information were made available on the assessors' website.

Recommendation 13: Address Payroll and Vender Warrant Process

Because town and certain school department employees are on a weekly pay schedule, selectmen, who meet bi-weekly on Monday evenings, are called to town hall to sign payroll warrants in between meeting dates. Whether or not a majority of the selectmen are able to get to town hall to approve the warrants on off-weeks, checks are already signed under the current process. In fact, the treasurer's signature is affixed to payroll checks when they are printed each week by the accountant's office and before the warrant is approved. When the treasurer's office prints the vender checks, it applies the treasurer's signature as well, prior to warrant approval. As a rule, however, payroll checks aren't disbursed until Thursday, and vender checks are held until Friday, even when selectmen approval occurs on Monday.

We recommend that the town consider a charter change authorizing the town administrator to sign payroll and vender warrants. We suggest that the warrant approval process would work more smoothly if the town administrator were granted warrant signing authority. Right now, the responsibilities of the town administrator, enumerated in the town charter, are wide ranging and comprehensive. He already manages day-to-day town affairs and otherwise acts on behalf of the selectmen. The selectmen would continue to have information concerning town-wide spending through monthly expenditure reports which the accountant is obligated to produce. It is only the approval of the warrant which would pass to the town administrator, except in the case of his prolonged absence or a vacancy in the office. The selectmen would then act in his stead. This authority can only be granted through a charter provision.

At the same time, or alternatively, we recommend that all employees be moved to a bi-weekly payroll system. If all town employees are paid bi-weekly, workloads in the treasurer's and accountant's office would be reduced, freeing time for the completion of other important tasks. The change would also avoid circumstances when selectmen, who meet every two weeks, are unable to sign the off-week warrants. Any adjustment to pay periods will require collective bargaining and therefore the additional support of town and union leaders.

Recommendation 14: Consider Future Structure of Finance Department

The town of Bellingham has enjoyed organizational stability and certainty of process within its finance operation particularly in recent years. This success reflects a collaboration between the town administrator and chief financial officer, an understanding of roles and longevity in office among staff.

However, the chief financial officer has indicated that her tenure is to end in the foreseeable future. In that event, it is not likely that a successor will bring the same knowledge base and management style, or attention to detail and work ethic to the office. Therefore, in expectation that the chief financial officer position will be scaled down, thought should be given to how continuity in performance and production within the finance department might be sustained. In this context, we offer the following for consideration.

We recommend that the management information systems (MIS) function be formally created as a department headed by a department manager or MIS director. Although the town has a very capable in-house technology manager, who also functions as a network/IS analyst, the chief financial officer carries the title of MIS director. In the budget, MIS appears to be funded as a department, and although advice is sought, decision making remains at the chief financial officer level. The experience of other municipalities has shown that reliance on technology typically grows over time. With vastly improved systems built into the new town hall, the full attention of one person with the ability to make decisions relative to computer planning and needs will become more important. However, expecting a future chief financial officer to have the credentials or the desire to fill the dual role as MIS director is not realistic. As such, MIS director represents one area of responsibility that might logically be separated from the chief financial officer's job description. In the meantime, MIS should be formally designated as a department and assigned a department manager with standing and responsibilities equal to all other town departments and managers. We would expect that the MIS department would remain within the finance department and that its manager would be accountable to the CFO.

We agree with the town administrator's view favoring action to smooth the transition to a new CFO. We agree that taking steps to ensure the presence of a person with knowledge of finance department practices and procedures makes sense to help a new CFO acclimate to the position. In expectation of a CFO job description with a more narrow scope, this process might also reveal responsibilities that can be reassigned to another staff member. In any event, we do not recommend the creation of a new, additional position in the finance department.

We recommend that responsibility for preparing and presenting information at the annual classification hearing before the selectmen be shifted to the chief assessor. Each year in advance of submitting a proposed tax rate to DOR, the selectmen decide whether, and to what extent, the local tax burden will be shifted from the residential to the commercial/industrial and personal property owners. The selectmen base their decision on information received at an annual classification hearing. Since implementing a shift four years ago, the chief financial officer represented the assessors and presented information at these hearings. In the future, we suggest the assistance assessor, who is also a member of the board of assessors, make the presentation.

Recommendation 15: Consider Implementation of Purchase Order System

We recommend that the town implement a requisition and purchase order system. Contributing to budgetary control, and to overall checks and balances, is a requisition and purchase order system. To some extent, paperwork associated with a purchase order system is already completed by departments, but the activity does not "hit" the accounting system.

Under a fully implemented system under MGL Ch. 30B, a department head fills out a requisition (or request) for a purchase order in advance of acquiring goods or services. The assigned person, probably the accountant, receives the requisition and completes the verification process (i.e., confirms that sufficient money remains in the account to cover the charge, the

purchase is appropriate to the account purpose and no fraud is involved). She then issues a purchase order which serves as evidence to the vendor that payment is approved. Later, upon delivery of goods or receipt of services, the town receives an invoice and initiates the vendor payment process.

Absent a purchase order system, goods or services are delivered, but accounts are not charged until an invoice is received and processed. Instead, the funds necessary to pay the requested charge, are encumbered, or reserved, before delivery of goods and services and, as a result, accounts are immediately adjusted for a charge and provide a true picture of balances. Additionally, as an internal control, when the invoice arrives, its detail is reconciled to the purchase order to ensure accuracy before payment is made.

With network capability, departments could enter requisitions electronically, immediately view account balances, make changes and transmit the information to the accountant. Upon verification, a purchase order would be available for the department head to print, and an encumbrance would automatically be created in the accountant's general ledger. The software would automatically prevent departments from overspending accounts.

Recommendation 16: Review Redundancies in Financial Practices

We recommend that the CFO and staff review procedures with a critical eye toward eliminating redundancies. Completing reconciliations to confirm the status of cash accounts and applying other proofs to verify the accuracy of calculations and data input are essential financial functions. In this regard, the CFO and her staff are diligent and effective.

Nonetheless, we encourage a review of present procedures to determine where unnecessary redundancies exist. Where data have been entered and verified once, it need not be made subject to a second confirmation. In some instances, it appears that calculations or information is verified by comparisons to merely reconfigured data from the same source. Where information in Admins has already been “proofed,” re-keying the same data into Excel spreadsheets and comparing the spreadsheets to the Admins reports may be counter-productive.

Recommendation 17: Remove Articles 2, 3 and 4 from the Annual Town Meeting Warrant

We recommend that that the Articles 2, 3 and 4 as they appear in the May 2004 and May 2005 annual town meeting warrant be removed. Although these articles address different subjects, each appears intended to grant a “blanket authority” and “blank check” power in advance of actual events when the power would be exercised. However, town meeting approval for few, if any, actions can be granted in this way. Real time decisions on specific proposals placed before town meeting are typically required.

Further, in the instance of Articles 2 and 4, there is the dubious legal basis for the apparent delegation of town meeting’s legislative authority to the board of selectmen. In Articles 2 and 3, despite a contrary intent, the appropriation of \$1.00 would limit any expenditure under

the provisions to that amount. In Article 4, property sold at public auction cannot be made subject to “restrictions, reservations or conditions.” All or any of these circumstances make actions taken under the articles vulnerable to challenge. Instead, we recommend that town meeting, the selectmen and town departments act as events occur and in accordance with procedural requirements and sound legal practices.

Acknowledgements

This report was prepared by

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

Gerard D. Perry, Deputy Commissioner

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

Joe Markarian, Senior Project Manager, Technical Assistance, MDM/TAB

Kathy Reed, Field Representative, Bureau of Accounts

Thomas Sweeney, Community Advisor, Bureau of Local Assessment

In preparing this review, DLS interviewed the following persons
and numerous other town hall staff members

Jerald A. Mayhew, Selectman
Denis Fraine, Town Administrator
Marilyn Mathieu, Chief Financial Officer/Accountant
Elizabeth A. Cournoyer, Chief Assessor
and Member, Board of Assessors
Karen Jasinski, Technology Manager
Grace Devitt, Treasurer/Collector
Beth Cornell-Smith, Assistant Treasurer/Human Resources
Nancy Bailey, Assistant Town Accountant
Kathleen Stevenson, Accounting Clerk
Teresa Ambrosino, Assistant Collector;
Elaine Szamreta, Collector's Principle Clerk
Connie Fedorak, Treasurer's Clerk
Nancy Champney, Treasurer's Clerk
Clair Lofgren, Water Services Clerk