

# FINANCIAL MANAGEMENT REVIEW

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TOWN OF BERLIN

DECEMBER 2021



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

**DLS | Financial Management Resource Bureau**

[www.mass.gov/dls](http://www.mass.gov/dls)

Zack Blake, Bureau Chief

Tara Lynch, Senior Project Manager



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

December 28, 2021

Select Board  
Berlin Municipal Building  
23 Linden Street  
Berlin, MA 01503

Dear Board Members,

I am pleased to present the enclosed financial management review report for the Town of Berlin. It is my hope that our guidance provides direction and serves as a resource for local officials as we work together to build better government for our citizens.

If you have any questions regarding this report, please contact Zack Blake, Financial Management Resources Bureau Chief, at 617-626-2358 or [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin  
Senior Deputy Commissioner

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## INTRODUCTION

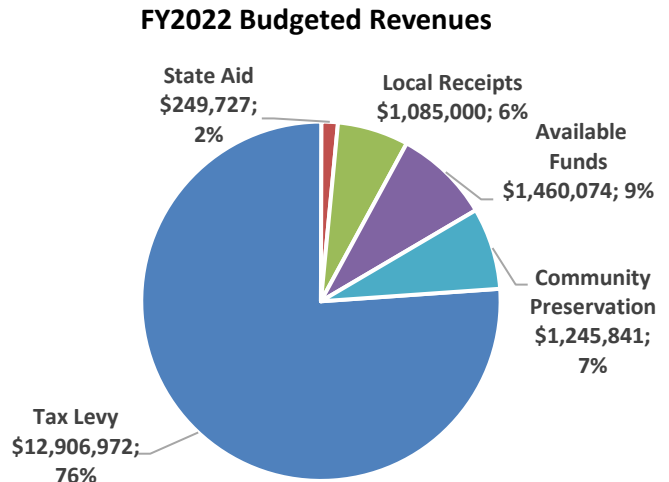
At the select board's request, the Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) completed a financial management review for the Town of Berlin, with the assistance of staff from the DLS Bureaus of Accounts, Local Assessment, and Municipal Finance Law. A desire to build upon the community's modernizing momentum of recent years motivated the select board to seek this external assessment of potential ways to continue improving Berlin's government structure, budgetary practices, and everyday financial operations.

Berlin is at a transformative place in its history. Having undergone a period of rapid growth, it recently made major changes in its governing structure, the most significant being the appointment of the community's first town administrator in May 2019. The local officials we spoke to praised the work done thus far by the town administrator to improve the coordination of town operations, professionalize the annual budget process, advise on policy matters, and address various operational and fiscal challenges, including those presented by the COVID-19 pandemic. In the Overall Financial Management section of this report, we offer guidance to expand on these enhancements, advance personnel management, and help ensure the positive changes endure. In reviewing practices in the town's financial offices, we noted several inefficiencies that could be rectified with better utilization of available technology, and we provide related recommendations in the final section of the report.

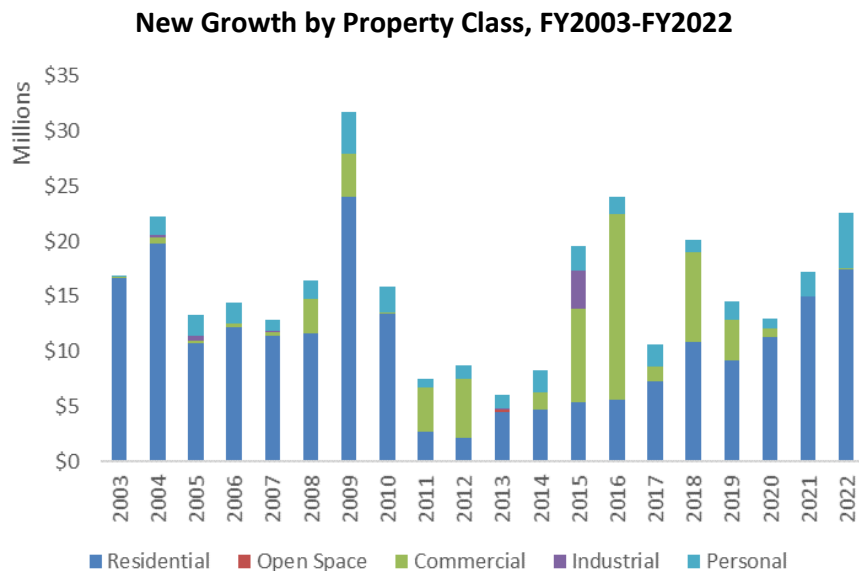
## COMMUNITY PROFILE

Though it remains very much a small community, Berlin has seen considerable growth in the new millennium. In the 15 years from 2004 to 2019, the town's population grew by 21% (from 2,677 to 3,240), a rate that easily exceeds the increases experienced during the same period in Worcester County as a whole (6.56%), in Middlesex County, which borders the town (10.4%), and in the state (7.42%). Compared to its 20 closest neighbors, however, Berlin has the smallest population, population density (248 people per square mile), and operating budget (\$16.9M for FY2022). In many ways, the town bears stronger resemblance to many Western Massachusetts communities, including in its belated emergence from antiquated governing structures and lingering reliance on inefficient, manual processes. A key difference is Berlin's position within a more diverse and robust regional economy. The town's per capita income of \$52,419 is twelfth highest among Worcester County's 60 communities, while its per capita equalized property valuation of \$219,276 is the county's fourth highest and falls within the top third statewide.

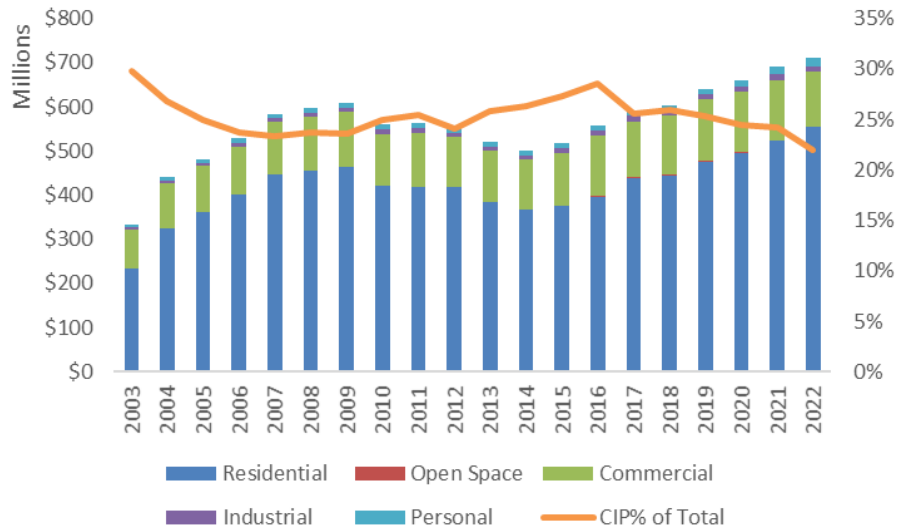
Berlin provides an array of services and amenities commonly found in many similar communities in Massachusetts, such as police, fire, ambulance, library, parks, and senior center, but it does not operate any fee-for-service utilities. Public education is provided through the town’s partnership in the Berlin-Boylston Regional School District. In annual town budgets, the property tax levy provides the greatest proportional funding to support these services, representing three-quarters of Berlin’s estimated operating budget for FY2022.



With its location less than 30 miles from cities like Worcester, Framingham, and Boston, Berlin has perennial appeal as a convenient and inviting bedroom community, while also maintaining a predominantly rural atmosphere. It therefore seems almost paradoxical to note that, during the last 20 years, a substantial 22 to 30 percent of the town’s total annual property valuation has derived from combined commercial, industrial and personal (CIP) properties. Apart from a fairly significant amount of centrally valued, utility-related personal property, just three businesses otherwise compose the lion’s share of the total CIP valuation: a mixed-use development (Riverbridge Village) and two shopping malls (Highland Commons and Solomon Pond). The two charts below illustrate the trends in new growth and valuations by property class over the last 20 years.



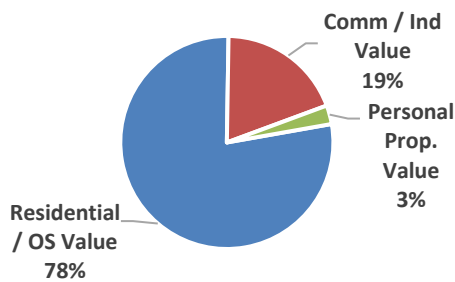
### Property Values by Class, FY2003-FY2022



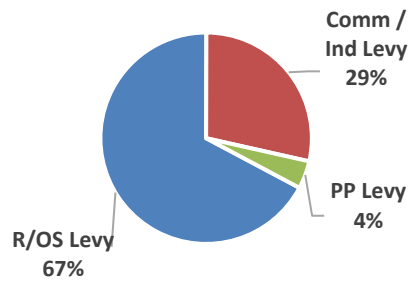
Divergent trends explain the annually enlarging proportion of residential properties within the total valuation in the last few years. Since 2015, residential new growth and property values have been rebounding steadily from the Great Recession’s impact earlier in the last decade. Conversely, the commercial new growth connected with the Highland Commons and Riverbridge developments in the early- to mid-2010s has dissipated, and Berlin’s local malls, like those in many other communities, have begun to decline in value amidst the global shift to online commerce.

To help alleviate some tax burden on local homeowners, starting in FY2011, the town has been annually opting for a split tax rate, applying separate rates to the residential and open space (R/OS) property classes and to the CIP classes. The degree to which the town has “shifted the levy” has grown gradually, and for FY2022 it is almost at the maximum allowed. Since FY2013, furthermore, the town has opted to allow a 10 percent exemption in the valuations of qualifying small businesses, which transfers a very small portion of the levy from personal property to commercial and industrial classes. These decisions result in three distinct tax rates, which for FY2022 are: R/OS \$15.63, personal property \$27.02, and commercial/industrial \$27.18 per \$1,000 in valuation. The pie charts below show how this policy lightened the tax load for R/OS property owners. However, a max tax shift will have diminishing returns for residents’ tax bills if the divergent trends we noted continue.

**FY2022 Property Values by Class**



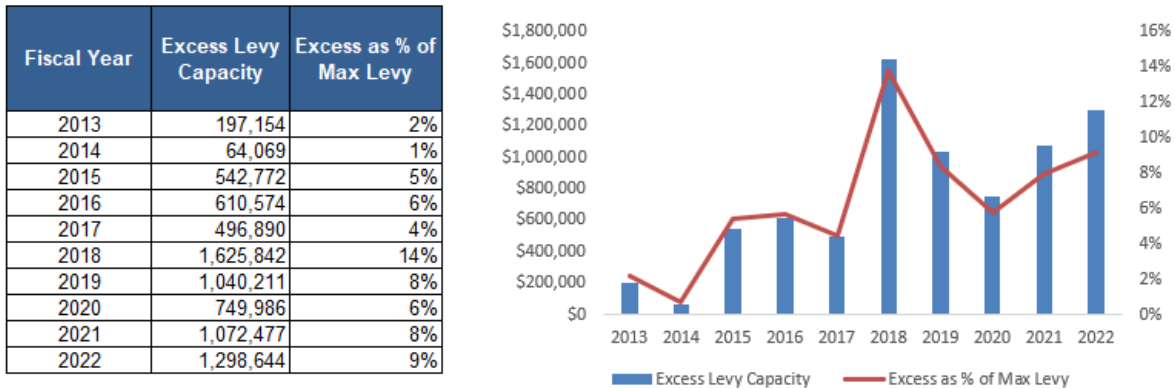
**FY2022 Tax Levy by Class**





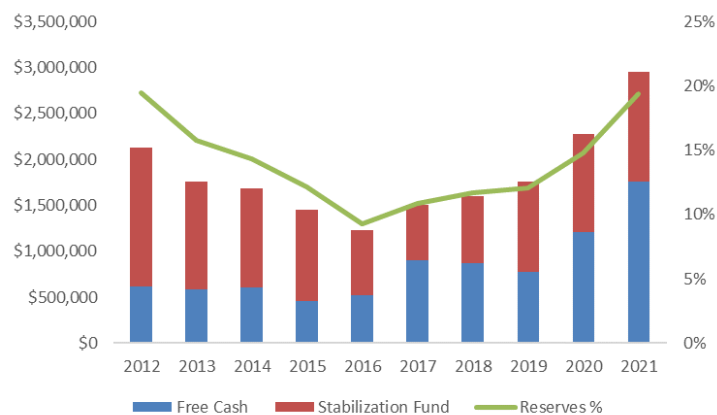
Under Proposition 2½, a town’s levy limit automatically increases annually by 2.5 percent, plus an allowance for new growth, but local budget framers, when setting the tax levy each year, decide how much of the levy limit will actually be taxed. The difference between the levy and the levy limit is known as excess levy capacity. As displayed in the table and chart below, Berlin’s FY2014 levy was set almost at the levy limit, but in the latter years of the past decade, the town has shown a general tendency to leave significant proportions of the levy limit untapped.

**Excess Levy Capacity, FY2013 – FY2022**



A review of Berlin’s recent history of reserve funds further indicates generally good budget flexibility for the town. Over the past decade, certified free cash amounts represented at least three to five percent of the general fund budget each year, as FMRB recommends. The town also annually maintained a healthy balance in its general stabilization fund and quickly replenished it after monies were used. Averaged out over this span, these combined reserves correlate to 14 percent of the average general fund budget, also within the range recommended for communities like Berlin.

**Combined Reserves, FY2012-FY2021**



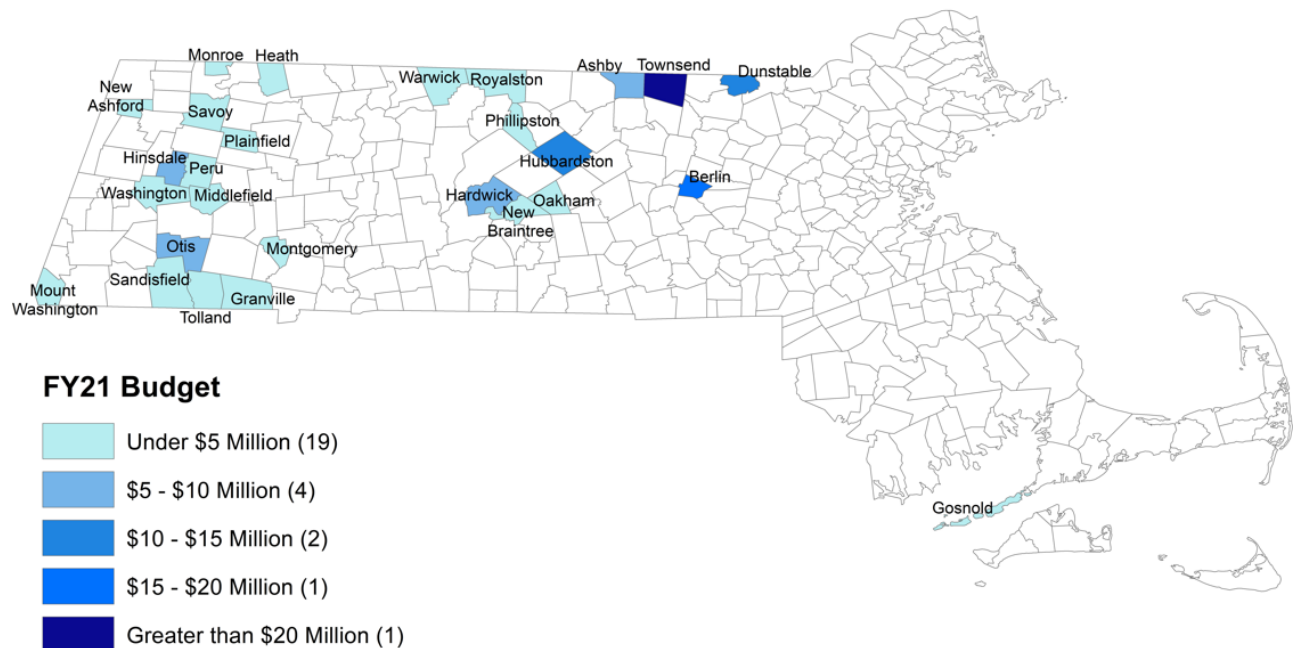
Local leaders and employees deserve much credit for embracing a range of recent advances in Berlin’s financial management. By appointing its first town administrator, Berlin joined the 90 percent of towns that also have a full-time, professional administrator (of varying titles) authorized to act on the

select board’s behalf. In May 2018, Berlin also modernized its cash management operations when the town converted its elected treasurer and collector positions to a combined and appointed office, which is the model common to 79% of communities statewide. In addition, the town intensified its capital planning focus by adopting a capital planning committee bylaw in 2017, adopting the community preservation act in June 2020, and creating a capital stabilization fund in May 2021.

The town’s recent initiatives have also encompassed personnel and benefits administration. In 2020, a human resources project funded by a Community Compact Cabinet grant provided the town with (1) a classification and compensation survey, (2) employee policy manual, and (3) updated job descriptions for all personnel. The town then contracted with a vendor to advise on insurance plans and negotiate costs with insurers. Finally, Berlin hired an actuary to calculate the liability for other postemployment benefits (OPEB) the town would have if it adopted M.G.L. c. 32B, § 9A. The firm provided three estimates based on different scenarios (\$4.14M, \$5.58M and \$7.16M), with the highest figure being the only one that factored in OPEB costs for elected employees working part-time hours.

A community that adopts c. 32B § 9A takes on the obligation to include retirees in its group insurance plan and pay at least 50 percent of the premiums, thus creating the OPEB liability. Not having done this puts Berlin at a disadvantage when vying with other cities and towns in the region to attract and maintain well-qualified employees in an increasingly competitive municipal job market. Based on our data, only 27 communities in the state (eight percent) do not provide retiree health insurance. Of these, 16 (59 percent) lie in counties west of Worcester and 19 (70 percent) have budgets smaller than \$5M.

### Communities with No OPEB Liability



## OVERALL FINANCIAL MANAGEMENT

Like typical small towns in Massachusetts, Berlin's local government consists of an elected, three-member select board to function as the executive authority and an open town meeting to act as the community's legislature. To consider and make recommendations on all financial questions presented to town meeting, there is a five-member finance committee appointed by the town moderator. Since FY2019, Berlin has also had a capital planning committee (CPC) to help bring formal, consistent attention to the town's capital needs.

As laid out in a January 2019 special act, the select board appoints a town administrator to act as Berlin's chief administrative and financial officer, with overall human resources responsibility and management oversight of all departments reporting to the select board. The town administrator is also responsible for developing the annual operating and capital budgets, taking into consideration the recommendations of the finance committee and CPC. In accordance with best practices, the select board devises an annual set of prioritized goals and objectives for the town administrator to pursue, which for FY2022 includes 30 items.

In just a few short years, local leaders have done well in directing changes that have helped Berlin to catch up to the pace of its growth and transform into a more modern and dynamic model of governance. With the aim of assisting the town to sustain this progressive momentum, we offer the following recommendations.

## RECOMMENDATIONS

### **1. Adopt Formal Financial Policies**

One of the FY2022 goals the select board set for the town administrator is the drafting of financial policies for formal adoption. Despite some intermittent efforts to do this in the past, the town has never previously adopted any financial policies. It is a worthy undertaking because financial policies help guide consistent, well-reasoned fiscal decision making, and they are a foundational element to a strong internal control environment. In addition, formally adopted policies enhance transparency and promote accountability. From her prior experience, the town administrator believes in the value of polices, and in her time with Berlin she has already drafted about 40 that the select board has adopted. Most thus far have been nonfinancial, however, although the latest was an antifraud policy.

To help the town in its policy goals, under separate cover, we have provided a manual containing 16 policy drafts for review and consideration. Among them are a core set of nine policy topics that FMRB

considers essential for every community to have, as determined through the bureau’s many years conducting financial management reviews. Beyond the core policies, the manual includes others we recommend for Berlin based on observations made in conducting this review. Below are the provided policy topics, with the core ones underlined.

Financial Planning	Financial Operations
Annual Audit	Administrative Financial Team
<u>Capital Planning</u>	Ambulance Receivables
<u>Debt Management</u>	Disbursements
<u>Financial Reserves</u>	Grants Management
<u>Forecasting</u>	<u>Procurement - Conflict of Interest</u>
<u>Investments</u>	<u>Reconciliations</u>
Special Purpose Appropriations	<u>Revenue Receipt and Turnover</u>
	Tailings
	<u>Tax Enforcement</u>

Policy guidance is intended to steer officials and employees toward objectives, while remaining more flexible and easier to modify than bylaws. They should be considered as living documents for the town to review and revise periodically according to changing circumstances and goals.

## 2. Continue to Enhance the Capital Improvement Program

In its first three years, the CPC created a strong set of procedures integrated with the town’s annual budget process and also implemented an excellent Excel form for departments to submit detailed information about project requests. In addition, the committee developed an annually updated five-year capital plan. We included these elements in a draft capital planning policy, along with text spelling out the related interactions between the CPC, town administrator, select board, and finance committee. As further guidance for enhancing the town’s capital program, we offer the following:

- Assemble a comprehensive capital inventory. The town does not yet have a detailed, complete inventory of its existing assets, which is crucial for effectively making long-term fiscal decisions and managing the potential risks of costly failures. We therefore recommend a project to compile a thorough list of all buildings, vehicles, heavy equipment, infrastructure, information technology, and historical/cultural assets that includes for each (as applicable): dates of acquisition or last improvement, current conditions, depreciated values, extents of use, and estimated dates for replacement or expansion. As an aid, we have provided an Excel file with sample spreadsheets.

The town accountant’s list of fixed assets can provide the starting point for the challenging task of data collection. From there, the town administrator should meet individually with department heads to gather information on all assets connected with their responsibilities. The town might

also seek external assistance, such as purchasing a building assessment or “envelope study” from a vendor or engaging with the Wentworth Institute of Technology to have facilities management students perform a teacher-coordinated assessment of town buildings.

- Establish and work toward annual funding targets. The town should consider capital needs as a continuous, annual imperative that requires a consistent carveout level of funding within the annual budget. Within this carveout, the town should strive to maintain a “cash capital” funding target (i.e., levy, free cash, stabilization funds) and a debt service target. To maintain its debt capacity, the town should seek new bond issuances as debt service for completed projects rolls off or else appropriate the same amount to the capital stabilization fund and thereby provide a source for future debt service or cash capital targets.

In the provided manual, these funding strategies are included within the capital planning and debt management policies. Suggested targets are provided based on a high-level comparison of Berlin with similar communities. However, the town should consider and adjust these numbers based on closer local analyses of short- and long-term needs, comprehensive asset inventory when completed, and debt affordability ratios, such as debt as a percentage of per capita income and/or total assessed property value.

### **3. Close Out Special Appropriations Administratively**

We recommend the town handle the closure of special appropriations administratively instead doing this through town meeting warrant articles. Once the town accountant verifies with the associated department head that the spending purpose of a special appropriation has been accomplished, she may, without further action, close any residual balance to its original funding source (e.g., to capital stabilization; community preservation; if the levy, unreserved fund balance, etc.).

Arranging these balances in a table within a town meeting warrant article is not only unnecessary, but it adds a little extra prep work for town meeting while also potentially confusing voters and slowing down the meeting. In a similar vein, the inclusion of an expiration date column in the capital budget article’s table of proposed special appropriations creates unnecessary and potentially confusing and restrictive issues. For example, in a typical year, there is at least one article in the warrant whose sole purpose is to extend the “sunset” date of an existing special appropriation.

Of course, it remains quite important that static appropriation balances get closed out efficiently and reported timely to budget decision makers. Doing so helps ensure that unused funds will have the ready potential to be available for new appropriation purposes or for augmenting the next year’s free cash certification. We therefore recommend the town consider adopting the draft policy we created,

which sets timing and procedural guidelines for these closeouts and assigns related responsibilities to applicable parties.

#### **4. Solicit Bids for Audit Services**

Given that Berlin has contracted with the same independent audit firm for the last nine years, we recommend the town conduct a bidding process for FY2022 audit services. Although there is value in retaining an independent audit firm for a series of years because it minimizes workplace disruptions and avoids new engagement start-up costs, it is also good policy to seek a change in auditor every now and again. When an audit relationship extends beyond six years or so, there is an increasing risk of complacency that can cause audit programs to become routine.

By seeking contract bids at six-year intervals, the town can help assure periodic, fresh assessments of its accounting practices and financial statements. This advice is not only promoted by the Government Finance Officers Association (GFOA) and Massachusetts Office of the Inspector General,<sup>1</sup> but FMRB has seen the weaknesses that can accrue in communities that do not heed it. In designing its bid proposal, we also recommend the town require the successful bidder to identify any significant control deficiencies in a management letter and to present this along with the audit report in a closing conference at a select board meeting.

#### **5. Submit Requests for Reserve Fund Transfers to the Town Administrator**

Under M.G.L. c. 40, § 6, the finance committee may vote to transfer monies from its reserve to pay extraordinary or unforeseen expenditures, including emergencies. Generally, if a cost could have been anticipated through a diligent budget process, it does not qualify as unforeseen. While the authority for determining emergencies would always remain with the finance committee, we recommend the town adopt a policy requiring department heads to submit any transfer requests to the town administrator first. As the full-time professional presence in town hall, with broad managerial and financial oversight authority, the town administrator interacts with departments on a regular basis and is more attuned than the finance committee to the status of the overall budget at any given time. As such, she may know of other pressing needs or have information that could lead to alternative solutions. She is also in a better position to monitor and correct any patterns that may develop where departments expect access to reserve funds during the fiscal year to backfill budgets.

#### **6. Revise the Treatment of Revenues from the Solomon Pond Development Agreement**

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<sup>1</sup>For additional guidance, see the GFOA's best practice article on [Audit Procurement](#) and the Inspector General's publication, [A Local Official's Guide to Procuring and Administering Audit Services](#) .

Since 1994, the town has had a development agreement with the Solomon Pond Mall, by which the company agrees to pay the town an annual sum, beyond its property taxes, to help Berlin acquire and conserve open space. The town has been directing the received revenue to a conservation fund controlled by the town's conservation commission under M.G.L. c. 40 § 8C. However, a fundamental principle of Massachusetts municipal finance is that, unless otherwise permitted by statute, all revenue received or collected from any source belongs to the general fund. We therefore advise the town to recognize the development agreement payments as general fund revenue. For each annual town meeting, the town may opt to include a warrant article that would appropriate an amount equating to the most recent agreement payment to the conservation fund.

## **7. Pursue Regionalization Opportunities**

We encourage local officials to be proactive in exploring opportunities to regionalize services with neighboring communities. When the timing is good with compatible, like-minded partners, some communities have found that sharing services has helped them either to manage escalating operating costs, enhance service efficiencies, promote sustainability, comply with mandates, or a combination of these goals more effectively than they could on their own. As Berlin grows in service demands, potential areas to consider for a regional model might include facility management, council on aging, information technology management, grant writing, inspectional services, and shared highway services or equipment.

A natural partner is of course Boylston, with which Berlin shares the regional school district, but there are likely to be others. If the town identifies a particular service goal, it could seek state grant assistance through the Community Compact Cabinet's Efficiency & Regionalization program, which will begin accepting applications in January 2022 <https://www.mass.gov/efficiency-regionalization-grant-program>.

## **8. Centralize Personnel Folders**

To improve efficiencies and mitigate the risks of improper disclosure or data loss, we recommend the town embark on a project to consolidate all employees' personnel documents, with the ultimate goal of storing them centrally within the town administrator's office. Based on a 2016 draft payroll policy and conversations with employees, Berlin currently maintains various types of personnel-related documents among the offices of the town administrator, treasurer/collector, and various department heads. As the town administrator and personnel committee continue working on a revision of the town's decade-old personnel policy manual, we also advise they include guidelines related to personnel folder maintenance.

Along with specifying which employees and officials are authorized to access personnel files and how each access will be tracked, the policy should reference privacy and data breach reporting requirements outlined in M.G.L. c. 93H. It should also provide that any personal information protected under M.G.L. c. 214, § 1(b) and any medical records protected by the Americans with Disabilities Act will be maintained in their own folders separate from the folder that must contain all the documents that have been used or may affect the employee's qualifications for employment, promotion, transfer, additional compensation, or disciplinary action (M.G.L. c. 149, § 52C).

## **9. Conduct Performance Evaluations**

We recommend the town administrator develop procedures for implementing a town-wide personnel evaluation program, a responsibility that is set forth for the position in the January 2019 special act. Among the goals that a good program can achieve are the clarifying of employee roles, improved job performance, more skilled workforce, healthier work environment, and generally enhanced accountability in town government.

As mentioned earlier, the town recently received from a consulting company a complete set of newly revised job descriptions for town employees. Accurate and up-to-date employee job descriptions are essential for an effective employee evaluation program since they provide needed clarity about expected duties, though any reviewer also needs also to consider an employee's attitudes and "soft skills" e.g., punctuality, initiative, teamwork, leadership, attention to detail, etc. Beyond the job descriptions, department heads should also be evaluated for their success in meeting annual goals and objectives set by the town administrator or their particular appointing authority.

Instituting a meaningful employee performance evaluation program is a challenging task, especially since managers and staff may be reluctant to embrace the program. There is a wealth of professional guidance available online and elsewhere for creating a program and the many models to consider. A common piece of advice is to set up a program of annual evaluations that includes midyear reviews, all on a clearly defined, universal schedule. Uniform evaluation forms should also be created, with separate types for department heads and for line staff. Ultimately, it is important to view the program as a two-way process, with a purpose extending beyond job performance. The employee's opinions, training needs, and comments about job duties can provide management with valuable insights.

## **10. Update the Personnel Bylaw and Disband the Personnel Committee**

We recommend the town update the personnel bylaw to reflect changes that have come about with the hiring of the town administrator. Specifically, the town should transfer all stated personnel committee duties to the town administrator and thereby disband the committee. The special act of January 2019, which takes legal precedence over town bylaws, makes it clear that the town



administrator is to have “overall responsibility for human resources” as one of many functions as the town’s chief administrative and financial officer. In light of this, the committee constitutes an obsolete layer of bureaucracy with a superfluous charge.

#### **11. Reevaluate the Policy of Providing Insurance Benefits to Part-time Elected Officials**

We recommend Berlin review its policy of allowing part-time elected officials to enroll in the town’s group insurance programs. M.G.L. c. 32B, § 2 defines the type of employees eligible for municipally supported health insurance benefits as those who receive compensation for working an average of 20 hours or more weekly. It further provides that elected officials “may be considered eligible” without regard to compensation or working hours. There is case law, as well as guidance from the state’s Group Insurance Commission, that has interpreted the word “may” to indicate that the local select board can decide whether or not, as a town-wide policy, health insurance coverage should extend to part-time elected officials.

To best manage costs and to set a consistent, fair eligibility standard for insurance benefits, most Massachusetts communities provide insurance coverage only to elected and appointed employees who meet the working hours threshold. In Berlin, however, we learned that there are currently five part-time, elected officials receiving health, dental and life insurance benefits through the town. In a community that has long rejected taking on a liability to provide health insurance to its retirees, this policy seems particularly incongruous. If Berlin adopts M.G.L. c. 32B, § 9A in the future, the impact of the current policy may be felt all the more since some of these part-time officials could be vested in the retirement system and therefore eligible to receive OPEB coverage.

If the select board decides that health, life, and dental insurance plans no longer seem like reasonable perquisites for part-time, elected officials, it can formally vote to discontinue the policy. In doing so, the board may also opt to “grandfather” any affected officeholders with active insurance plans until the end of their terms.

## FINANCE OFFICE OPERATIONS

To establish regular, open lines of communication among the town's finance managers and maximize coordination of interrelated activities, the town administrator created an administrative financial team (AFT), consisting of herself, the town accountant, treasurer/collector, and assessing director, which meets at least monthly. Below are brief summaries of the offices managed by AFT members:

Town Accountant: The town accountant has been with Berlin for 33 years, most of that time in this position. She works full-time and is assisted by a clerk, who works four days a week. The accounting staff use the VADAR Financial Suite application for all their primary accounting tasks.

Treasurer/Collector: Before becoming Berlin's first treasurer/collector (starting in FY2019), the incumbent had been the elected treasurer for the preceding 20 years. The department also includes an assistant treasurer and assistant collector, each of whom work two days weekly. For its collections and tax title management database, the office converted from Point software to the VADAR Tax Suite application in July 2021. The treasurer/collector processes payroll in a Harpers Payroll Services, Inc. database and uses Excel for his cashbook.

Assessing: An elected, three-member board of assessors provides general oversight for the department. To manage daily operations, the board appoints a full-time assessing director. The incumbent has held the position for five years and has more than 30 years of assessing experience in two prior communities. She supervises two employees, each working 25 hours per week: a clerk and a property lister. Staff maintain valuation data the Vision system. Apart from personal property valuations provided under contract with Patriot Properties Inc., the department performs most other required duties in-house.

The town implemented VADAR's Finance Suite many years ago but, from the beginning, only the accounting staff used it. When the town hired the town administrator in 2019, another user license was purchased to allow her to review the status of the town budget in real time. Only since the implementation of the Tax Suite this July has the treasurer/collector staff begun using VADAR.

From our perspective, Berlin appears to have conscientious and dedicated finance officers and staff. Particularly impressive was the volume of documented, but informal, policies and procedures created by the officers, especially the town accountant. Even so, our review of payroll, accounts receivable, and revenue turnover procedures revealed a range of opportunities to reduce inefficiencies and strengthen internal controls. Much, but not all, of our guidance for enhancing these areas is predicated on better use of VADAR. With proper user configurations, this enterprise software allows for a well-controlled but seamless and transparent flow of financial data between departments, but the town is not yet maximizing its cost-effectiveness.

## RECOMMENDATIONS

### **12. Process Vendor and Payroll Warrants Biweekly**

We recommend Berlin shift to biweekly alternating schedules for its vendor and payroll warrants. For the vendor warrant, this shift will help improve cash flow and reduce paperwork without impacting the accountant's ability to comply with the 30-day requirement for paying the town's bills, provided that departments continue to submit timely invoices. For payroll, not only would this change essentially cut in half the complex payroll duties performed in the town accountant and treasurer/collector's offices, but it would similarly reduce related data compilation, approval, and filing tasks across all departments. It would also substantially decrease the town's contract cost with Harpers, which charges per transaction. Although any change in payroll cycle would need to be bargained with the town's two unions, the advantages of biweekly payroll well justify the effort.

### **13. Discontinue Dual Payroll Data Entry**

Under current procedures, each week, department heads send Excel reports of employee time to the town accountant's office. The accounting clerk then enters all the payroll data for each employee in a draft warrant within VADAR; only the employee's name autofills when she starts each entry. Then the time reports are sent to the treasurer/collector, who enters information in Harpers. Harpers is prepopulated with the pay rate and standard hours of every employee, so the treasurer/collector only needs to enter data for exception instances (e.g., overtime hours, vacation time used, etc.).

Once all the exception data is entered, the treasurer/collector prints out a pre-final report from Harpers and gives it to the town accountant. She reviews the report against the VADAR warrant. When they reconcile, she prints two warrants for the town administrator. The town administrator signs them and gives one copy to the accountant and one to the treasurer/collector. The treasurer/collector then transmits the finalized report to Harpers.

There is no reason to individually input employee payroll in VADAR because the system is designed to populate the necessary data into the payroll warrant from an uploaded Harpers file. This is an easy process that a great many VADAR towns do. Before this can be implemented however, the town will need to work with a Harpers representative to ensure the individual payroll accounts in its system precisely match with the VADAR chart of accounts. Whatever effort is involved to do this will be worth it for the efficiency and accuracy gains attained from having only one, exception-only data entry routine.

#### **14. Track Employee Leave Time Balances Centrally in Harpers**

In Berlin, there is no ongoing, comprehensive, centralized tracking of employee leave time accruals and usage. Department heads calculate the leave time accruals for their employees. Harpers provides employees with weekly pay advices showing the number of leave time hours used, based on the treasurer/collector's entries. Since 2020, the accounting clerk has been tracking leave time in an Excel spreadsheet she created. At year-end, the town accountant requests reports from these diverse sources to calculate the town's total liability for compensated absences.

The current, dispersed system for tracking employee leave time accruals and usage entails a high risk of inconsistent practices and contested data. Therefore, we recommend Berlin initiate a project to gather all the current leave balances from the departments, input them in Harpers, and use Harpers as the central, ongoing database for tracking the balances going forward. The substantial amount of coding work Harpers will need to do to achieve this should not dissuade the town from pursuing this goal. Based on our research, the leave time management feature and promise of electronic file compatibility with VADAR are typically already included in the standard Harpers contract cost. As an additional benefit from this change, employees would receive reliable pay advices that show how much time remains to them, and the Harpers system will provide the compensated absence liability amount needed by the town accountant for year-end financial statements.

#### **15. Change Departmental Procedures for Turning Over Revenue**

Currently, when a departmental employee turns over receipts, he or she delivers a copy of the turnover sheet to the town accountant before bringing the turnover package to the treasurer/collector's office. The employee is not required to ensure the package is accepted by a treasurer/collector employee but is instead permitted to leave it in an office drop box. This arrangement lacks basic approval and security controls.

The treasurer/collector should institute fixed office hours for accepting turnovers and redirect to departments any that are left unattended at the office. Upon turnover presentation, treasurer/collector staff should count the receipts to verify the amount, sign the three turnover forms presented, retain one copy, and return the others to the department representative. The departmental employee should keep one of the two copies signed by the treasurer/collector staff and deliver the other to the accounting office.

The control provided for in statute that requires departments to give the town accountant a report of any revenue turned over to the treasurer is weakened if the accountant receives a report with no validation that the funds have been accepted by the treasurer/collector's office. Therefore, the town

accountant must insist departments provide her with turnover copies signed by a treasurer/collector employee and return any lacking the signature.

#### **16. Treasurer/Collector Staff Enter Turnover Data in VADAR**

We recommend that all edit rights to the VADAR treasurer's receipts module be restricted to personnel in the treasurer/collector's office. Presently, all the revenue data being entered into that module is done by the town accountant based on copies of the treasurer/collector's cashbook, which he provides to her roughly twice a week. Within VADAR, the town accountant then accepts her entered receipt batches, which posts the data into the general ledger. This set-up does not allow for a true check-and-balance reconciliation between the records of the treasurer/collector and accountant because the accountant is entering the treasurer/collector's receipts for him from his own cashbook report, with the data then going directly into the general ledger.

#### **17. Convert to the VADAR Cashbook**

The town should expect a trial-and-error adjustment period for implementing the VADAR changes we recommend, but once the new processes are working smoothly, we advise the treasurer/collector to eventually shift to the VADAR cashbook from his current Excel version. Revenue data entered in the treasurer's receipts module automatically carries over to the VADAR cashbook. With time and training, the treasurer/collector should begin to rely on the cashbook module and discontinue doing separate, ultimately redundant entries into the Excel one. Furthermore, the town accountant could also be given view-only access to the cashbook module to facilitate general ledger reconciliations.

As these various procedural changes are being rolled out, and until all finance employees are comfortable with them, VADAR should be a top agenda item of every monthly AFT meeting. Each officer should maintain detailed logs of any software issues and contacts with VADAR Systems as they occur and report on them at the meetings. The log could help identify interrelated issues and repetitive problems. The town administrator should then follow up with a VADAR representative on any that remain unresolved.

#### **18. Revise Deputy Collector Procedures**

We recommend the treasurer/collector establish a town bank account for the deposit of all amounts collected by the deputy collector, Kelley & Ryan Associates, Inc. Under current practice, Kelley & Ryan deposits collections into a company bank account. Then once a week, a Kelley & Ryan representative delivers a check written on that account (minus the company's fees) to the treasurer/collector's office along with a summary of payers and fee invoice.

According to state law, all notices that Kelley & Ryan sends seeking payments from delinquents in its capacity as Berlin's deputy collector must state that the town, not Kelley & Ryan, is the check payee. Further, a deputy collector may not deposit municipal funds in a personal bank account nor maintain a personal bank account in a community's name. We therefore advise the treasurer/collector to revise procedures to have the deputy collector deposit all of its collections into a town-controlled bank account opened specifically for that purpose. We also recommend the treasurer/collector process the deputy collector fees through the standard warrant process. Financial controls are strongest when the deputy collector submits detailed bills to be paid through the vendor warrant with the appropriate checks by the treasurer/collector.

## ACKNOWLEDGMENTS

In preparing this review, DLS spoke with the following individuals:

<u>Name</u>	<u>Position</u>
Margaret Stone	Select Board Chair
R. Scott Hawkins	Select Board Vice Chair
Christine Keefe	Select Board Clerk
Margaret Nartowicz	Town Administrator
Stanley Rogalinski	Finance Committee Chair
Anna Crane	Capital Planning Committee Chair
June Poland	Accountant
Amy Grenier	Accounting Clerk
Dennis Fearebay	Treasurer/Collector
Steve Price	Assistant Treasurer
Brien Devaney	Assistant Collector
Molly Reed	Assessing Director
Joann Wynkoop	Property Lister
Thomas Galvin	Former Police Chief