



Town of Blackstone

Financial Management Review

Division of Local Services / Technical Assistance Section

May 2008

INTRODUCTION

At the request of the Blackstone Board of Selectmen, the Department of Revenue's (DOR) Division of Local Services has completed this financial management review of the town.

We have based our findings and recommendations on site visits by staff members of the Municipal Data Management & Technical Assistance Bureau (MDM/TAB), the Bureau of Accounts (BOA), and the Bureau of Local Assessment (BLA). During these visits, the staff interviewed members of the selectmen and finance committee, the town administrator, accountant, assistant assessor, collector/treasurer, and other municipal office staff.

DOR staff examined such documents as the tax rate recapitulation sheet, annual budgets, audits, cash and receivables reconciliation reports, and statements of indebtedness. The town also provided us with warrants, debt schedules, town bylaws, various job descriptions, and other assorted financial documents.

The purpose of this review is to assist Blackstone officials as they evaluate the town's financial management. In reviewing the existing financial management, we have focused on: (1) the town government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; (3) the performance of financial operations in such a way as to maximize resources and minimize costs.

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

EXECUTIVE SUMMARY

Blackstone is a predominantly residential community that is southeast of Worcester on the Rhode Island border and accessible by highway from both states. It is approximately 11 square miles with a population of 9,032 persons (2006 Estimated US Census). The town's 2006 equalized property valuation (EQV)/capita is \$114,353, about 74 percent of the statewide average of \$153,979 and its 1999 income/capita is \$20,936, also below the statewide average of \$25,952.

Originally part of the neighboring community of Mendon, Blackstone was incorporated as a town in 1845. First settled as an agricultural community, the town attracted some mill operators in later years because of the power generated from the Blackstone River and its location between Worcester and Providence. However, despite this early industrial influence and more recent commercial development, the community has maintained its quaint, rural qualities.

Since 1990, Blackstone's single-family parcels have increased from 1,639 (FY1990) to 1,994 (FY2008) or over 21 percent. During this same timeframe, the town's condominium units also increased from 184 to 344 units. As a result of this development, the town's population grew from 8,023 persons (1990 US Census) to 9,032 persons (2005 estimated US Census) or an increase of 11.5 percent. Today, nearly half of Blackstone's land remains undeveloped, providing an attraction for further residential and business expansion.

In response to its growth, Blackstone's budget increased. In just the last ten years, the town's budget has more than doubled, increasing from about \$8.4 million (FY1998) to \$17.9 million (FY2008), while statewide municipal budgets grew during this period from about \$12.6 billion to \$20.9 billion or 65 percent. To support its budgetary growth, Blackstone's property tax levy more than doubled, state aid increased 60 percent (because the town is a member of a full regional school, the region receives Chapter 70 school aid directly), local receipts (e.g., excise, permits and user fees) grew over 86 percent, and other available funds and reserves fluctuated annually.

Growth in Blackstone's tax levy has resulted only from the annual statutory 2½ percent increase and new growth that is generated by new construction and building renovations because the town has never proposed a Proposition 2½ override or placed an exclusion question before the voters. A particularly large addition to the community's tax base (FY2001-FY2002) was the construction of a power plant. ANP Blackstone Energy Company (ANP) built and equipped an electric generating facility that is assessed at full and fair cash value, but the tax assessments are determined by a payment in-lieu of tax (PILOT) agreement ratified by town meeting. According to the PILOT agreement, ANP will pay \$2.1 million annually (with adjustments for specific improvements, additions and retirements) through FY2020.

In order for this large project to locate in the community, Blackstone had to undertake significant capital improvements to its water and sewer systems. In an effort to make sure that the PILOT funds would be dedicated towards these and other capital endeavors, the town sought special legislation to create a capital investment fund (Chapter 9 of the Acts of 2001). According to the act, 90

percent of the funding must be used for purposes for which the town may incur debt under M.G.L. c. 44, §§7 and 8, including debt service relating to these expenditures. The remaining ten percent may be appropriated by town meeting for any lawful purpose.

Given the fiscal stress many communities are facing at the present time, capital and infrastructure spending is generally among the first things to be deferred. Blackstone, on the other hand is very fortunate. According to many officials, the ANP PILOT payments have funded capital and infrastructure improvements (e.g., water and sewer projects, road maintenance, a new library, and other capital equipment) that would have been unimaginable given the limited resources of the town. Currently, the town has a formal long-range plan that balances most of its capital project needs and existing debt service annual payments with projected PILOT funds through 2020. Because there is no guarantee what will take place at the end of this agreement, officials have emphasized the need to finance future projects, especially water and sewer, with resources from its combined enterprise fund, which requires regular rate analyses so the services will eventually fully recover all costs including debt service.

As to funding recurring operating costs, Blackstone struggles to maintain its current level of services with its limited resources like other communities. Despite conservative management practices (e.g., not overestimating revenues, funding only the essentials, and monitoring spending closely), increases in regional school assessments, energy costs, and health insurance are sources of a growing budgetary gap each year. Consequently, officials have reluctantly eliminated part-time positions and dipped into reserves to balance the town budget in the last couple years.

Given the fiscal constraints of the current economy, community leaders have called upon the departments to strive for improvements that will lead to efficiencies. This includes pursuing more regional services (e.g., recycling, water, and ambulance), eliminating redundancies, and adopting best business practices. In addition, the community wants to be on the cutting edge with computers used to improve work performance and to provide the best customer service. As a part of this proactive action plan, the selectmen requested that the Department of Revenue's (DOR) Division of Local Services conduct a comprehensive review of Blackstone's financial offices to provide an objective assessment of current operations and to help identify areas of potential improvement.

In the report that follows, a series of recommendations are presented based on best management practices that comply with state laws and regulations. They are designed to encourage checks and balances, accountability, and increased efficiency in the town's financial operations. Chief among these is the need to perform basic activities such as reconciling cash and receivable accounts at the close of each month, to provide training so staff are better able to make use of technology, and to establish a financial team that ensures ongoing communication throughout the year. With increased communication, coordination, and good management practices in place, Blackstone will be able to plan for the future and position itself for whatever lies ahead.

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OVERALL FINANCIAL MANAGEMENT & BUDGETING

During the course of our review, we looked at the overall financial management in the town, including its governmental structure, bylaws, the budget and financial practices, and personnel procedures and policies. What follows is a summary of our observations and recommendations.

Since 1977, Blackstone has operated under a home-rule charter. An elected five-member board of selectmen are the executive officers who set policies for the town. They appoint the town administrator who serves as the professional chief administrative officer and is responsible for overseeing day-to-day operations. Subject to the approval of the selectmen, the town administrator appoints and removes most department heads and supervises the accountant (who is appointed by the selectmen). By by-law, annual performance evaluations should be conducted, but they have not been completed in recent years. The collector/treasurer and town clerk do not report to the administrator because they are elected and the assistant assessor reports to the separately elected board of assessors.

There are roughly 120 persons on the town's payroll, which is paid weekly. All active employees (including the elected collector/treasurer and town clerk) who work more than 19½ hours per week receive employee benefits, including health, dental and life insurance. A town employee who retires receives a retirement allowance, but not insurance coverage because Blackstone never adopted M.G.L. c. 32B, §9A. Instead, the retiree would have to get other insurance or Medicare coverage at age 65, if they qualify. More than once, the town meeting has entertained accepting the state provision, and each time it was rejected. If Blackstone were to adopt a post employment benefit plan in the future, then the town will have to prepare an actuarial study in compliance with the Government Accounting Standards Board (GASB) Statement 45.

The annual budget process begins in the fall when the accountant prepares an analysis on spending trends and preliminary revenue projections for the selectmen and finance committee members as well as department heads. Based on this information, spending guidelines and request forms are distributed to all departments and boards. Budget requests are submitted to the administrator and accountant. The administrator prepares and presents a balanced plan to the selectmen, who meet with departments prior to approving and forwarding it to the finance committee. The administrator and accountant then work with the finance committee reviewing requests, holding hearings, updating revenue projections, and preparing recommendations on the budget proposal for the town meeting.

Blackstone also has a capital outlay committee that reviews, prioritizes, and makes recommendations on expenditures greater than \$15,000 and with a useful life of more than five years. The committee has an analysis of the capital investment fund estimated cash flow and projected debt service schedule prepared by a financial consultant, updates its five-year capital plan, and recommends a capital budget to town meeting for approval. Capital projects are funded with a mixture of borrowing proceeds, enterprise fund resources, and power plant PILOT funds. Their financial consultant also prepared a five-year revenue and expenditure forecast in FY2007, but it has not been updated.

During the budget process, as well as throughout the years, town officials follow various policies and procedures. For example, estimated receipts are projected conservatively in order to avoid revenue deficits and to contribute towards the eventual certification of free cash, which is generally used for non-recurring expenditures or appropriated to the stabilization fund. In another example, the town analyzes the available resources and existing debt obligations before considering new long-term proposals or other capital acquisitions. Similarly, departments should perform check and balance activities (e.g., reconciliations of cash, receivables, and expenditures) to make sure that information is communicated properly and verified timely, and financial records are accurate. While these policies and practices are designed to clearly articulate the town leaders' expectations and institute good business practices, they are informal.

Annually, Blackstone has an independent audit performed. Included in an audit is a management letter that identifies improper or inadequate procedures. While some may be resolved before the next audit, many have been raised repeatedly because the town has never formulated a plan to correct them. Chief among these is the lack of regular monthly cash and receivable reconciliations that were cited as a reportable condition. A reportable condition is a deficiency in internal control, which if significant, may become a "material weakness." A material weakness is a reportable condition of such magnitude that it could potentially result in material misstatements of financial condition. The presence of a material weakness could impact Blackstone's credit rating and future borrowing costs.

RECOMMENDATION 1: ESTABLISH A FINANCIAL TEAM

We recommend that the town establish a financial management team through the adoption of a by-law. The financial management team should include at least the town administrator, accountant, collector/treasurer, and assistant assessor and should meet on a regular basis throughout the year. A financial management team can serve a means to open lines of communication and improve coordination between and among departments and officials.

The financial team would assist the town administrator, who would serve as chair, in compiling and presenting comprehensive financial information to the town's policymakers on the prior year's performance, year-to-date activities, the budget process, and other issues as they come up. The team can develop financial analyses, explore the financial impact of future events, and offer early strategies to deal with anticipated problems. Meeting at least monthly, it will provide input into the town's cash flow analysis, including the timing of major purchases and issuance of new debt. Collectively, this committee should review financial documents (e.g., revenue and expenditure reports, balance sheet, audits, and tax recapitulation sheet) for completeness and accuracy. This information will provide a comprehensive picture of the town's financial health at any point in time.

In addition, the financial team would ensure institutional continuity if one officer leaves. The team's participation in general financial and budget activities will ensure that more than one person knows all facets that need to be gathered, analyzed, and monitored continually.

We recommend that the town update and maintain its multi-year revenue and expenditure forecast. During FY07, Blackstone's financial consultant prepared a multi-year revenue and expenditure forecast for all the community's operating funds, using DOR's free [revenue and expenditure forecasting application](#) found on its website. The town administrator, with the assistance of the financial team, should update the forecast based on decisions made to date and make maintaining it a priority. Forecasting used in conjunction with the town's capital plan will enable officials to evaluate budget requests with multi-year impacts, identify programs that may not be funded or capital requests that will have to be deferred, and develop long-range financial plans.

RECOMMENDATION 2: REINSTITUTE ANNUAL PERFORMANCE REVIEWS

We recommend that the town revive its annual performance reviews for all employees. Increasingly, municipal governments are placing greater attention on written job descriptions with goals, performance expectations, and provisions for annual employee evaluations. The town should develop evaluation program criteria that will provide uniform standards and guidance as well as benchmarks by which each employee's job performance may be measured. Based on the annual evaluation, an employee may be rewarded (i.e., step increase) for a job well done and/or given suggestions if performance improvement is warranted.

An evaluation program works best when it is recognized as a two-way process. Employee performance is an obvious focus, but employee opinion and comment during the process can also provide valuable insight to management. Ultimately, the evaluation process can evolve into a collaborative effort leading to improvements in job performance, the operation of government and in work place conditions. Performance evaluations would be subject to labor negotiations.

RECOMMENDATION 3: DEVELOP A CORRECTIVE ACTION PLAN

We recommend that the town administrator develop a written corrective action plan with specific goals, objectives and deadlines to address each accounting and management control issue raised in the independent auditor's annual report. The selectmen should be periodically briefed on the progress of the town administrator and the financial offices towards remedying the problems and meeting the objectives of the plan.

RECOMMENDATION 4: FORMALIZE FINANCIAL POLICIES AND PROCEDURES

We recommend that the town formalize its policies and internal control procedures in written form. The adoption of this type of policy or procedure generally is designed to guide activities and/or to prevent fraud and abuse. For any recommended policies (noted below) that Blackstone does not already have informal procedures, we encourage the town to seek guidance or sample products from

other communities. However, town officials should review each policy received to determine what would work best for Blackstone.

The Government Finance Officers Association (GFOA) recommends that, at a minimum, financial policies should include fiscal planning, revenue, and expenditure policies. These should be developed by professional staff and adopted by the town's policymakers, including the selectmen, finance committee and capital outlay committee.

1. Fiscal Planning Policies – These policies should consider current budget initiatives as well as long-term needs.
 - Balanced Budget – This policy should identify the participants' roles and responsibilities, the process and timeframe, a definition of "balanced", and disclosure for other unusual circumstances.
 - Long-Range Financial Planning – The town should adopt a policy that looks towards the future because today's decisions have long-term impacts. The policy should include multi-year revenue and expenditure forecasting, capital outlay planning, and cash management and investment goals.
 - Asset Inventory – Because of the Government Accounting Standards Board (GASB) Statement 34, all governments are required to maintain a capital asset and infrastructure inventory that is reported on the entity's financial statements. Therefore, a policy on the process and frequency of data collection, valuation, and depreciation for all capital purchases, town property and buildings, and infrastructure should be developed.
2. Revenue Policies – Because budgeting is revenue driven, it is essential that all revenue sources be identified and properly administered.
 - Fees and Charges – These policies should identify the legal basis for assessing a fee or charge, the method by which they are set, and the extent to which costs are recovered, and require annual reviewed through a [costing study](#).
 - Use of One-Time Revenues – This policy should discourage the use of a non-recurring revenue source to fund recurring expenditures.
3. Expenditure Policies – Given limited resources versus the potential needs of a community, prudent expenditure planning and accountability will help fiscal stability.
 - Debt Capacity, Issuance, and Management – This policy should specify appropriate uses for debt, when to issue long-term bonds, role of a financial advisor, the range amount or percentage of debt outstanding at any time and debt service payable in any fiscal year.
 - Reserves and Stabilization Funds – A formal reserve policy should establish a practice of appropriating money annually to legal reserves for future needs, identify prudent levels of financial resources to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures, and identify extenuating circumstances where reserves may be used.

In addition to policies, formal internal control procedures are essential to enforce accountability and to deter fraud and abuse. Internal control is a process designed to provide management reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations. Many internal control practices (e.g., reconciliation of cash and receivables, monthly expenditure reports, and issuance of receipts for cash transactions) are required by statute and are done as a matter of good business practice. A formal process for each activity, including the responsible parties, timing, frequency, and resulting product, should be documented, providing a benchmark by which staff are measured.

RECOMMENDATION 5: IMPLEMENT BIWEEKLY PAYROLL

We recommend that the town adopt a biweekly payroll process. With the adoption of biweekly payroll, workloads in the collector/treasurer's and accountant's offices would be reduced, freeing time for the completion of other important tasks. Any adjustment to pay periods must be bargained.

RECOMMENDATION 6: EVALUATE THE STATE'S GROUP INSURANCE OPTION

Town officials should evaluate whether it is cost effective to enroll in the Commonwealth's Group Insurance Commission (GIC). As part of the Municipal Partnership Act [Chapter 67 of the Acts of 2007](#), cities and towns are permitted to join the state's group insurance program. Communities realize cost savings from participation in a risk pool of about 300,000 subscribers, which allows for significant purchasing power in the health care market. Because GIC dictates plan design, GIC rate increases have been significantly lower and less volatile than the rate increases experienced in most municipalities. From FY01 through FY06, GIC costs have increase 47.95 percent or 8.28 percent annually, on average, compared to a 111.62 percent overall increase in Blackstone.

Although the option to join GIC in FY09 closed in October of 2007, a community may submit a written agreement prior to October 1, 2008 for enrollment beginning in FY10. This would require successful coalition bargaining in which the town bargains all aspects of health insurance with a public employee committee (M.G.L. c. 32B, §19). Additional information regarding participation in GIC is available on the [Commonwealth's GIC website](#).

RECOMMENDATION 7: APPOINT COLLECTOR/TREASURER POSITION

We recommend that the town consider changing the collector/treasurer position to an appointed office. Increasingly, Massachusetts' communities are moving toward an appointed position to improve financial accountability on a daily basis as well as to ensure that future collector/treasurers have strong professional credentials and relevant experience. Under the provisions of M.G.L. c. 41, §1B, this transformation from an elected office may be accomplished by town meeting action and subsequent voter approval.

MUNICIPAL INFORMATION SYSTEMS

Blackstone does not have a formal computer services department. Generally, departments with computerized systems purchase and operate them independently, while others maintain manual recordkeeping systems. Historically, the town uses an outside vendor for problems when they occur.

The town offices have access to Microsoft Office applications as well as the Internet and e-mail services, for which the community does not have user policies. The accountant and collector/treasurer use the MUNIS financial software system, to which the assessing office has access for posting approved abatement and exemption amounts. The treasurer uses an outside vendor, Harpers, to process payroll and keeps the cash book in a series of Excel spreadsheets. The assessing office uses the Vision computer assisted mass appraisal (CAMA) application.

Blackstone has an Internet website that provides departmental listings and contact information, community links, and some news and announcements. However, the content (e.g., responsibilities; meeting schedules, agendas and minutes; and helpful information such as forms, reference materials, and links) on each department's webpage varies greatly and the vast majority of it is out-of-date. In the absence of useful or complete information, users call or visit town hall offices for assistance, which causes work interruptions for personnel.

Upon taking office, the current town administrator discovered that in the absence of an internal or external information technology professional, many of the town's systems were out of date and/or not well secured. For example, the town's MUNIS system updates had not been installed for a number of years. Now fully updated, staff training on the new applications will be completed before the end of the fiscal year. Because of the extent of the problems, the town administrator sought other outside assistance in evaluating the current systems. It was determined that, because there is no central person in charge of the community's technology systems, documentation is scattered or nonexistent, routine maintenance has been deferred, application updates have not installed, and users lacked training or support when questions arise. Furthermore, due to lapses in security and virus protection protocol, the community's systems could be at risk. Based on these shortcomings, the consultant proposed a number of upgrades to the current system and a plan for the future, which Blackstone officials are considering.

RECOMMENDATION 8: HIRE A CONTRACTOR TO MANAGE THE COMPUTERIZED SYSTEMS

We recommend that the town hire a contractor to provide system maintenance on an as-needed basis and to monitor the town's network integrity on an ongoing basis. Given the size and complexity of municipal finances, Blackstone should hire a contractor to oversee specialized technology functions. Reporting to the town administrator, the consultant would monitor activity to ensure systems are operating efficiently, provide input on new software and hardware needs, and oversee the systems' security (e.g., virus protection, firewalls, and backups). The town administrator could contact his

counterparts in other towns that have part-time, contractual computer assistance for examples of requests for proposals and contractual language that could be tailored for Blackstone's purposes.

RECOMMENDATION 9: ESTABLISH A CENTRAL DATABASE OR LOG

We recommend that the town administrator develop a central database or log of the hardware and software systems, local networks and shared files, and all user support issues. Developing a central technology-related repository will provide useful information and guidance as new systems and applications are acquired, problems arise, and/or staff turn over occurs. This central database or log should be maintained by the town administrator with input from the town's computer consultant.

RECOMMENDATION 10: SURVEY CURRENT OPERATIONS AND PROVIDE TRAINING

We recommend that the proposed computer contractor survey staff on their knowledge and use of available computer applications. Based on the survey results, the contractor will be able to identify staff needs and to provide department heads with recommendations on training as well as tasks that may be automated. For some staff, additional training may be required so they better understand how the computerized systems can be useful to them. The contractor also could help identify repetitive and/or manual tasks that may be automated, streamlined, or developed into a shared database available to more than one office. Given the limited personnel and resources, exploring ways to operate more efficiently can free up valuable staff time.

RECOMMENDATION 11: USE THE REMOTE ACCESS FEATURES IN THE MUNIS SYSTEM

We recommend that departments be granted remote access and data entry capabilities offered by the MUNIS System. With training, each office would be able to inquire about the status of its budget and be responsible for entering all financial information (e.g., departmental receipts and vendor payments) at the departmental level. This would enable the treasurer's and accountant's offices to review the electronic submission against backup documentation before accepting/posting it to the treasurer's receipt and accounts payable systems. Once established, even though hardcopy information is exchanged, the electronic transmission of financial data will greatly reduce the amount of manual entries the offices are performing, thereby freeing up staff to perform other management and analysis activities.

RECOMMENDATION 12: ADOPT USER INFORMATION GUIDELINES & POLICIES

We recommend that the town adopt guidelines and policies for all employees and officials that use the town's computerized systems. The guidelines should address matters such as password

protection, backup procedures, updating virus protection, loading outside files on a workstation or the network, and reporting problems. The town also should develop written user policies outlining the proper and allowable use of Internet and electronic mail applications. The town could contact other communities that have established these written policies for examples.

RECOMMENDATION 13: UPDATE AND EXPAND THE WEBSITE

We recommend that Blackstone update and expand its Internet website. A comprehensive, up-to-date, and accurate website would help generate public awareness and confidence in government. In other communities, user-friendly and informative websites have proven successful in reducing the amount of time that town employees spend fielding questions in person or on the phone. Helpful information that can be added to the website includes the town's budget and financial statements, department forms and applications, and staff or committee contact e-mail addresses.

COLLECTOR/TREASURER'S OFFICE

Blackstone's collection and treasury operations are combined in one department. The office is responsible for receiving tax, excise, and utility payments, processing payroll, overseeing active employee benefits, and managing the town's cash. This office is staffed by an elected collector/treasurer, who is serving her third three-year term, an assistant treasurer, an assistant collector, and a part-time clerk. Each staff member has primary responsibilities, for which training generally was received on-the-job, and there has been minimal cross-training of staff.

The staff process approximately 3,500 property tax bills quarterly, 10,200 motor vehicle excise bills annually, and 2,500 water/sewer bills semiannually, all of which are printed and mailed by the town's deputy collector. This office also prepares municipal lien certificates, which have numbered between 300 and 400 annually. According to the collector/treasurer, less than 20 percent of all tax and excise payments are received through Internet and escrow (real estate taxes via mortgage companies) collection services, and are electronically posted to the appropriate account. All other payments received through the mail and over-the-counter are processed manually by the assistant collector. Each day, both the bills and cash are tallied and, if they agree, the assistant collector posts the payments on the MUNIS system and turns over the receipts to the assistant treasurer for deposit. To improve timeliness of deposits and investment earnings, the collector/treasurer is exploring lockbox service.

To monitor the outstanding tax, excise and utility billings, the office has a receivable control, which should be reconciled internally and then externally with the accountant's office monthly. While the assistant collector has been trained on collection and daily balancing activities, she is not familiar with reconciling receivable balances. As a result, the town has secured the consulting services of her predecessor to reconcile receivables monthly, yet nothing has been presented to the accountant's office to reconcile with the general ledger.

Once a tax or an excise bill becomes past due, a demand notice is issued. If a real estate tax remains unpaid, the collector/treasurer contacts the taxpayer and may set up a payment plan. If a property is in tax title then the subsequent taxes are added before the end of the next fiscal year, but no new takings have been initiated since FY2001. Once in tax title, the property has lingered. However, the collector/treasurer recently sought the services of an attorney to pursue foreclosure remedies.

To pursue outstanding excise accounts that total over \$167,000 as of 6/30/07 and date back to 1991, the collector/treasurer uses a deputy collector. The deputy collector completes online license and registration markings for non-renewal status with the Registry of Motor Vehicles and receives delinquent payments. Weekly, the deputy collector prepares a turnover report and is paid for his services through the vendor warrant. Delinquent personal property taxes, on the other hand, totaled almost \$12,000 as of the end of FY2007 and date back to 1998, but there is no process to pursue them.

Among water and sewer accounts, Blackstone has outstanding amounts that date back to 1996. When a bill becomes past due, the town charges late interest and may shut off water service, but a prior year balance is not added to the subsequent year's actual tax bill. As a result, outstanding water and

sewer receivables are a combined total of over \$193,000 (as of 6/30/07), which is made up of delinquent amounts and credit balances.

While the accountant's office reviews payroll timesheets and submissions for accuracy and sufficient appropriation balance, the collector/treasurer's staff process payroll payments, manage the town's retirement account, and administer the active employee health, dental, and insurance benefits. The assistant treasurer uses an outside vendor, Harper's Payroll Service, to produce the town's weekly payroll. After entering the data, she reconciles the Harper's report balances with the accountant's general ledger figures prior to producing check or direct deposit registers. Similarly, the part-time clerk compiles reports on employee benefit participants and their withholding amounts and reconciles them to insurance premiums billed the town.

The assistant treasurer also handles departmental receipts turned over to the office, maintains the cash book, and reconciles it to the bank statements. Monthly, departments turn over receipts to the assistant treasurer, who counts and deposits the funds daily, posts the activity to the cash book, and instructs the part-time clerk to enter the detailed receipts into the MUNIS system in weekly batches. Before a batch is posted to the MUNIS system, the accountant's office reviews and verifies the content against its independent departmental turnover reports. This is required currently because the MUNIS system was originally set up allowing the collector/treasurer's staff to post directly to the general ledger. When the system is fully updated, only the accountant's office will have access to the general ledger. At the end of each month, the collector/treasurer's staff should prepare a monthly statement of receipts and provide cash balances by fund to the accountant, who should compare the statement with her copies of departmental receipt submissions and reconcile the cash balances. However, Blackstone has not been able to perform these essential tasks, resulting in a reportable condition in the private auditor's management letter for the lack of regular monthly cash (and receivable) reconciliations.

Recognizing the seriousness of this problem, the selectmen engaged a consultant to review the treasury operation and implement changes that would enable the timely reconciliation of cash. Between December and March, the consultant assisted the collector/treasurer's office in the reorganization of the cash book and receipt journal formats as well as reviewing other office procedures. This will ensure accurate daily deposits and reporting for security and audit purposes. The consultant reviewed cash postings, reconciled the bank accounts for the first half of FY08, and forwarded all information to the accountant. In turn, the accountant reviewed the information and identified missing postings, which the treasurer has been working to correct. The consultant also reconciled the returned or unclaimed check list, commonly referred to as tailings, so that the bank and town registers are in agreement, which will allow the town to pursue them. In the meantime, the consultant provided some training to the staff as each change was implemented. However, the engagement for this special project ended in March before all the records had been completed and reconciled between the collector/treasurer's and accountant's offices and training could be provided to the collector/treasurer's staff.

As a result, the town continues to experience problems and delays in the cash reconciliation process as shown in the treasurer's receipts report through May 2008 and the cash book for March and

April 2008 provided by the collector/treasurer to DOR. We found the treasurer's receipts included monthly unreported receipts and receipts without backup documentation dating back to August 2008. In March and April, the treasurer's receipts reports did not reconcile with the total posted in the cash book entries, some deposits continue to be out of chronological order or dated one month and deposited in the next, and residual unidentified cash variances still exist. In further examining the cash book, we found the sum total of all accounts at the end of March did not reconcile with the opening balance of April 2008. We discovered that the treasurer transferred approximately \$1.1 million in excess bond proceeds from the Millerville sewer project (which has been set aside until town meeting re-appropriates the funds for a purpose that the town can borrow for 20 years in accordance with M.G.L. c. 44, §20) to another bank account in March. With the creation of a spreadsheet for the new bank account, the cash book detail no longer ties to the summary sheet for all funds, resulting in a significant error that was not detected internally before releasing the documents to the selectmen and DOR.

RECOMMENDATION 14: ATTEND PROFESSIONAL CLASSES AND PROVIDE CROSS-TRAINING

We recommend that the assistants attend professional training classes. An assistant should be fully trained to assume the role and responsibilities of the collector/treasurer in her absence, thus preventing unnecessary interruptions or delays. To assist in this training process, Blackstone should consider having the assistants attend training workshops and/or the four-day annual school provided by the Massachusetts Collectors and Treasurers Association.

We also recommend that the staff be cross-trained on all operations performed in the office. With adequate cross-training, staff will be able to provide assistance during high-demand times and as well as fill in during brief or extended absences of office staff.

RECOMMENDATION 15: REPORT RECEIPTS WEEKLY AND CASH BALANCES TIMELY

We recommend that the town re-engage the treasury consultant to complete the special project as originally designed. The consultant needs to train the collector/treasurer's staff to research missing entries and provide necessary documentation, properly post entries in the cash book that are reported to the accountant timely, and reconcile the fund balances with the accountant's general ledger. Once all the records are up-to-date and accurate, and the staff is trained and demonstrates they are able to manage the cash reconciliation process on their own, then the services of the consultant will be complete.

We recommend that the collector/treasurer's office complete and transmit its statement of receipts to the accountant weekly. Given recent problems and delays, it would be best that this activity

be performed weekly. Delays in reporting cash receipts impact the activities of the accountant's office and the eventual reconciliation of cash.

We recommend that the collector/treasurer provide timely monthly reports of cash balances by fund (both the cash reconciliation and cash summary spreadsheets) to the accountant in order that prompt, monthly cash reconciliations are conducted. Having invested time and resources to improve Blackstone's cash reconciliation process, the collector/ treasurer's staff should reconcile bank accounts at the close of each month, making sure that no variances exist. Having accomplished this, the results should be reported to the accountant, who in turn would reconcile them to the general ledger. Prompt and frequent reconciliations are essential in order to maintain control over cash.

RECOMMENDATION 16: ENGAGE A LOCK BOX SERVICE

We recommend that the collector/treasurer consider a lock box service. A number of financial institutions offer lock box services to collect tax or other payments by mail and process the payments through their collection system on a rate per piece basis. The service deposits payments into a municipal bank account and returns daily electronic receipt reports to the client community. To post the payments, the collector/treasurer's staff review the file and, if it reconciles to the deposit, upload the information to the accounts receivable software. A contract between the town and a lock box service would specify the scope of services to be provided and how costs would be calculated.

As a major benefit, these services free-up staff time by reducing over-the-counter and mail payments at the collector's office. The process makes posting automatic, accelerates deposits, makes funds available sooner, and improves investment earnings. Additional interest earned and efficiencies gained help offset the cost to the town for the service. However, a successful lockbox payment service also relies on a certain amount of public relations. The town should seek ways to inform the public and encourage their use of these services in returning tax and other payments.

RECOMMENDATION 17: RECONCILE RECEIVABLES & PURSUE OUTSTANDING AMOUNTS

We recommend that the collector/treasurer's staff provide receivable balances to the accountant's office so that prompt, monthly receivable reconciliations can be conducted. It is best that this activity be prioritized and completed immediately after the close of the month rather than putting it off to a later time. Conducting the reconciliation at the end of the year complicates the process and could impact the completion of the annual audit and certification of free cash.

We recommend that the collector/treasurer initiate new tax title takings soon after the issuance of a demand notice. Under M.G.L. c. 60, §37, the town's tax lien expires 3½ years from the end of the fiscal year for which the taxes were assessed, or upon a recorded sale or transfer of the property, whichever is later. The collector/treasurer has placed subsequent taxes into previously established tax

title accounts, an essential step towards securing the town's liens on these properties, but she has not pursued new takings on properties with delinquent amounts since FY01.

We recommend that the collector/treasurer use the services of the deputy collector to pursue outstanding personal property tax accounts. The deputy collector may be able to obtain money owed the town or to provide evidence that the accounts are uncollectible (due to death, absence, poverty, insolvency, or other inability of the person assessed to pay). Once the collector/treasurer is reasonably sure that the accounts are uncollectible, she should work with the assessing office and Commissioner of Revenue to have them abated and cleared off the town's books.

We recommend the collector/treasurer contact the assessing office about abating motor vehicle excise determined to be uncollectible. Abating the older amounts will help clean up and reduce the town's receivables on its balance sheet. Having previously committed all outstanding amounts to the deputy collector, any amount that eventually may be collected and turned over to the town may be easily recommitted by the assessors on a special warrant.

We recommend that the office research water and sewer account credit balances and take all necessary actions to resolve them. While this process will be time consuming, the office must research these in order to clear them off the receivable ledger.

Furthermore, we recommend that Blackstone accept M.G.L. c. 40, §§A-F and c. 83, §§16A-F and establish procedural regulations or bylaw to impose liens for unpaid water and sewer charges. Once the enabling legislation is accepted by town meeting and a certificate of acceptance is on file at the Registry of Deeds, the water and sewer commission annually may certify to the assessors any outstanding charges so that they will be added to the real estate tax bills. This will secure the eventual collection of said amounts and hopefully encourage timely payments.

RECOMMENDATION 18: PURSUE TAILINGS

We recommend that the office research the returned or unclaimed checks, commonly referred to as tailings. Based on the work of its consultant, Blackstone has a current listing of unclaimed checks issued to pay employees and vendors, refund municipal taxes or charges, or pay other municipal obligations. Any check that is not cashed within three years of issuance is deemed abandoned under MGL Chapter 200A §5. A municipal treasurer holding abandoned checks may turn them over to the state treasurer (Chapter 200A §7). Alternatively, the treasurer may advertise the unclaimed checks herself and hold hearings to settle any claims (Chapter 200A §9A). Having complied with all legal requirements of Chapter 200A, any remaining unclaimed monies are credited to the municipality's general fund.

ACCOUNTANT'S OFFICE

The primary responsibility of the accountant's office is to maintain the town's general ledger and to perform the accounting functions. Typical accounting functions include reviewing invoices and preparing warrants; producing trial balance, revenue, and expenditure reports; maintaining information on debt; and reconciling cash and receivables with the collector/treasurer.

This office is staffed by an accountant and assistant accountant, both of whom have been employed in this department since 2003. In Blackstone, the assistant accountant is trained to assume the responsibilities (including signing the warrant) of the department head for brief or extended absences, thereby avoiding potential disruptions in activity or the need to hire outside assistance.

Weekly, both review manual bill and timesheet submissions for completeness and accuracy, reconcile payroll figures with the treasurer, and prepare warrants for the selectmen's approval. In the absence of a contract or grant on file, the accountant will not process a payment until a department provides appropriate documentation. While Blackstone does not use the MUNIS purchase order system, the accountant encumbers departmental line-items for all professional, technical, and service contracts, and electrical and heating utilities. She does this to ensure that departments provide for these commitments and in order to control spending.

Throughout the year, internal and external reports are prepared. For internal purposes, the accountant produces monthly expenditure and revenue reports to verify and monitor the town's financial activity and periodically briefs the town administrator on them. Each department is provided with its revenue and expenditure reports monthly, which should be reconciled with each department's internal records. Currently, that is not always the case. During FY07, it was reported that the treasurer paid some debt service in October 2006 that was not processed through the warrant. Because of the excessive delays in cash reconciliations, this error was not detected until after the close of FY07 by the private auditor.

At the start of the budget process in the fall, the accountant also prepares an initial revenue analysis and year-to-date spending report for the selectmen and finance committee and then provides revenue and expenditure reports each month through the end of the fiscal year. The accounting staff produce monthly receivable and trial balance reports, which are used to reconcile with the collector/treasurer's records. Generally, the receivables are reconciled at year's end when the collector/treasurer's balances are turned over and the cash reconciliations are done monthly after receipt of the collector/treasurer's balances. However, due to the lateness of the treasurer's FY07 information, cash was reconciled after the close of the year. Among external reports, the accountant prepares the Schedule A, a year-end fiscal statement of revenue, expenditures, and fund balances, and produces the balance sheet that DOR uses to certify free cash.

As an added safeguard for the community, the accountant periodically audits the recycling center's collections. While most departments (excluding the collector/treasurer's office) take in some receipts, the recycling center takes in a significant amount of cash payments. So the accountant

reconciles the amount turned over with the pre-numbered, multi-copy receipt books and accounts for each voided transaction.

RECOMMENDATION 19: REQUIRE ALL CONTRACTS BE SUBMITTED

We recommend that copies of all contracts, including grants, be submitted to the accountant's office in compliance with M.G.L. Ch. 41, §57. All departments, boards and commissions that enter into contracts or receive grants must submit them to the accountant's office. With valid copies on file, the accountant will be able to verify that the terms of the contract or grant are met when reviewing payment requests. If a bill is submitted for payment and the contract or grant that contains information relating to payment terms is not on file, the accounting office must delay processing the payment request until said contract or grant is presented.

RECOMMENDATION 20: REQUIRE DEPARTMENTAL CONFIRMATION ON MONTHLY REPORTS

We recommend that each department provide written confirmation that the report of monthly revenues and expenditures provided by the accounting office reconciles with internal records. In order to verify that balances are accurate, monthly reports distributed to departments by the accountant should be compared to internal records (for all expenditure budget for which he/she is responsible). While any detected variances are reported so the necessary corrections are completed, each department should confirm that the comparisons were conducted and the parties are in agreement, providing another level of checks and balances in the town's financial operation.

RECOMMENDATION 21: CONSIDER IMPLEMENTING THE MUNIS PURCHASE ORDER SYSTEM

If it is the community leaders' interest to increase its spending controls, we recommend that Blackstone consider implementing the MUNIS purchase order system. A purchase order system would require that departments submit a requisition to the town administrator's office prior to purchasing items or entering into service agreements. Once approved, the funding would be encumbered by the accounting office and a purchase order issued. This process would enable the town administrator, as the chief procurement officer, to increase his oversight on town spending and to verify compliance with bidding requirements prior to expenditure.

If a purchase order system is implemented, we further recommend that a minimum purchase order amount be adopted. Requiring a purchase order for all expenditures could become burdensome on the town administrator and the accounting office and not be cost effective. Given the population and budget of the community, a minimum purchase order of between \$200 and \$500 would be reasonable starting point.

ASSESSING OFFICE

The assessing office is responsible for determining full and fair cash valuations, classifying all property, assigning tax payments to owners, and generating the commitment authorizing the treasurer/collector to collect property taxes and excise. The assessing office maintains assessment data on approximately 3,520 real property parcels and personal property accounts and 10,000 motor vehicle excise accounts. In addition, the office processes approximately 180 building permits, 140 deed transfers (80 of which are property sales), 50 abatements (150 in recertification year), and 110 exemptions annually. The town's real property assessment records are maintained on and the personal property final values are entered into the Vision computer assisted mass appraisal (CAMA) system, which is used to compile analytical reports and property tax commitments. Blackstone's property database is accessible online through the town's website as are the assessors' tax maps.

Reporting to an elected board of assessors, an assistant assessor and an assistant administrative assessor staff the office. The assistant assessor oversees the daily office operations, supervises the assistant administrative assessor, performs fieldwork (e.g., measuring and listing new and improved properties where a building permit has been issued), and inspects most sale properties generally after they transfer ownership. The assistant assessor maintains the town's assessment records, and determines residential property values. She also reviews abatement and exemption requests and provides recommendations to the board for its approval. The assistant administrative assessor maintains all records and the assessors' maps, enters property information and sketches into the CAMA system, processes deed transfers, and coordinates exemption and abatement applications. The assistant administrative assessor also manages the motor vehicle excise accounts, responds to public inquiries by telephone and at the service counter, and performs inspections when necessary.

Triennially, the assistant assessor performs the revaluation of residential properties in-house. For all non-residential property, she oversees the work of two appraisal consultants. Vision Appraisal collects, values, and updates apartments, mixed-use, commercial, and industrial properties (estimated cost of \$16,500). JW Associates (the other consultant) updates, collects, and values all personal property information annually (an estimated cost of about \$3,600). In the intervening years, the assistant assessor analyzes sales for adjustments to residential real property values. For interim year adjustments to all other real parcels and personal property accounts, the assistant assessor uses the services of the above consultants, budgeting about \$3,000 annually for these services.

Blackstone is one of few communities in the Commonwealth that has a power plant. The land and personal property of this plant are assessed based on a payment in-lieu of taxes (PILOT) agreement. This agreement runs through FY2020, provides for annual payments of \$2.1 million, and has specific language on improvements, additions and retirements to the facility and the calculation of adjustments to the PILOT amount.

Upon taking office in July 2006, the assistant assessor discovered that her predecessor had not completed Blackstone's FY2007 preliminary triennial certification work, including sales and permit

inspections. She also found that many of the properties in town had not been inspected in years. Furthermore, based on the Bureau of Local Assessment's (BLA) data quality review, it was necessary to conduct a full field review of the town's properties, which was completed. However, because of the additional work and the late start of the program, the FY2007 values were finalized and approved by BLA on May 9, 2007, resulting in the fourth-quarterly tax bills being mailed almost two months late on May 24, 2007. Because of this excessive delay, the completion of the FY2008 inspections, analysis and final values were impacted and DOR authorized the town to issue of a third quarter estimated bill. The town had its FY2008 tax rate approved on February 21, 2008 and mailed the fourth quarter actual bills timely.

On the completion of the FY2007 recertification of Blackstone's property values, BLA recommended that the town complete its current re-inspection program by FY2010. A cyclical re-inspection program involves completing an interior and exterior inspection of all town property over a period not to exceed nine years in compliance with state statues and the Bureau of Local Assessment guidelines. The primary benefit of this program is to provide the assessors' office with current, accurate data. From these inspections, any changes in the properties are entered into the CAMA system and may result in additional new growth for the town. A cyclical re-inspection program may be performed in-house or it may be contracted to an appraisal consultant. The assistant assessor uses the services of two fee appraisers to assist in the data recollection of all residential properties at a cost of between \$10,000 and \$19,000 annually. To manage this process, she developed written procedures and checklists for the appraisers and the assistant assessor carefully reviews submissions for consistency and accuracy. Once the recollection process is completed for the FY2010 revaluation, the assistant assessor plans to continue to conduct three-year cyclical re-inspection programs.

RECOMMENDATION 22: CONDUCT SALES INSPECTIONS AT THE TIME OF TRANSFER

We recommend that the assistant assessor inspect the interior and exterior of all sale properties at the time of the transfer. Often, a sale property may have been upgraded without a permit or allowed to deteriorate to an extent that the assessors' files do not accurately reflect its true characteristics or condition. Not being aware of the exact condition of properties at the time of the sale affects the assessors' ability to analyze market data. Teaming up with other departments (e.g., fire and water departments) scheduled to visit these properties, because of a pending property sale, would ensure timely, interior inspections for the assessing database. It would reduce the number of scheduled town visits to the same properties. It will also assist in the town's cyclical re-inspection program.

RECOMMENDATION 23: ADOPT A SIX-YEAR CYCLICAL COLLECTION PROGRAM

We recommend that the town adopt a six-year cyclical re-inspection program. The current proposal to perform a cyclical re-inspection program every three years, while admirable, could become

stressful and difficult to maintain by the assistant assessor or her successors. A six-year program is within BLA's certification guidelines of a "period not to exceed nine years" and optimal given the number and mixture of parcels in Blackstone.

RECOMMENDATION 24: PLACE ASSESSORS' FORMS ON WEBSITE

We recommend that the assessors' forms be placed on the town's website. The placement of the assessors' database online enabled individuals to access the information at their convenience and helped to reduce telephone calls and in-person visits to the assessing office over the last year. Putting abatement and exemption forms and instructions on the website will also will provide ready access to potential users and further reduce the burden on the office.

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