



Town of Blandford

# **Financial Management Review**

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Division of Local Services / Technical Assistance Section

August 2011



August 15, 2011

Board of Selectmen  
Town of Blandford  
Main Street  
Blandford, MA 01360

Dear Board Members:

Please find attached the Financial Management Review completed by the Division of Local Services for the Town of Blandford. It is our hope that the information presented in this report will assist the town in improving its financial management practices, addressing areas of concern and meeting its long-term planning needs.

As a routine practice, we will post the completed report on-line at the DLS website within a week or two. Also, we will forward a copy of the report to the town's state senator and representative.

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

Sincerely,

Robert G. Nunes  
Deputy Commissioner and  
Director of Municipal Affairs

cc: Senator Michael R. Knapik  
Representative William Smitty Pignatelli

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## Overview

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Blandford has a population of approximately 1,200 people which ranks it as the 34<sup>th</sup> smallest of 351 municipalities in the Commonwealth. Town spending of \$3.35 million in FY2011 was less than the budgets of 317 other municipalities in the state. The town's average single family tax bill of \$2,945 in FY2011 is only 64.9 percent of the state-wide average of \$4,538. Despite a land area of 51.74 square miles - the 8<sup>th</sup> largest in the state - the town has a population density of only 24 residents per square mile - the 17<sup>th</sup> lowest in the state. Almost 87 percent of the town's taxable land area is classified as residential and a full 18 percent of all land area is tax exempt. Only 27 of 351 Massachusetts cities and towns have more tax exempt property. There are only three full-time town employees.

The part-time nature of local government is typical and appropriate to the town's size. Three selectmen function as the town's chief executive officers and an open town meeting serves as the legislative branch. The bylaws provide for a town administrator, but the position is neither filled nor funded. The part-time accountant is appointed by the selectmen, but also serves as the elected, part-time town clerk. The treasurer and the collector are both elected and part-time. The assessors' clerk is appointed by the three-member board of assessors, which is elected. There is a five-member finance committee appointed by another committee comprised of the three selectmen, the moderator and the town clerk. Other elected officials include the water commissioners, planning board and library trustees. Among other part-time employees are the fire chief and police chief. The only full-time employees (3) are in the highway department. Blandford is one of seven towns that are members of the K-12 Gateway Regional School District.

By these and most other measures, Blandford is a small, rural town, which has characteristics in common with the 89 other towns in Berkshire, Franklin, Hampden and Hampshire Counties. And, like most towns in the four western counties, local budgets are supported substantially by taxpayer dollars. All of these municipalities, irrespective of population, budget size or location, are also held to the same standards by DOR relative to financial controls. With this in mind, it is reasonable to expect that town finances in Blandford would be managed in accordance with well established rules and sound practices. However, that is not the case. Instead, shortcomings far exceed the norm.

- ▶ As a result of lax collection practices over the years the town is owed over \$990,000 in back taxes<sup>1</sup> as of June 30, 2010 - based on the accountant's records. That's \$804 for each person who resides in Blandford. Only three towns in western Massachusetts have a poorer collection record. It is also 46 percent of the town's FY2011 tax levy - in only four Massachusetts towns is there a higher percentage.

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<sup>1</sup> Back taxes include real estate and personal property receivables, tax title accounts and tax foreclosures dating back to FY1989.

- ▶ Exactly how much money is owed the town in back property taxes is not known because the accountant and the former collector have failed to compare and reconcile their records of what has been collected and what remains outstanding. As of June 30, 2010 their records were at variance by \$185,000. The variance was \$10,550 at the end of FY2009 and \$128,838 at the end of FY2008.
- ▶ In large part because of these receivables, Blandford is the only city or town in all of Massachusetts to have negative free cash in each of the last three years. Of 90 towns in the western counties of Massachusetts, it was one of only two towns with negative free cash in FY2011 (\$159,523), it was one of four towns in FY2010 and one of only three towns in FY2009.
- ▶ Blandford is habitually late completing and submitting to DLS its Schedule A which is a fiscal year-end statement of all revenue collected, expenditures and fund balances. It is required of all cities and towns. Blandford did not complete its FY2010 Schedule A and, as a result, was one of only two towns among 90 in western Massachusetts to have its 3<sup>rd</sup> Quarter (2011) local aid withheld. Had the town not subsequently submitted its Schedule A by the set deadline, it was at risk of forfeiting its 3<sup>rd</sup> and 4<sup>th</sup> Quarter local aid distributions. Based on the submission, payment for both quarters was made on July 15, however, discrepancies and questions remain and the Schedule A is not yet approved.
- ▶ The cash standing of the town is not known because the treasurer has not reported to the accountant the amount of money collected by town departments since September 2010. A reconciliation of cash between the two offices has not occurred since June 2010. Failure of the treasurer to report town receipts to the accountant on a timely and regular basis is a serious lapse in financial controls.
- ▶ Blandford was one of only four towns among 90 in western Massachusetts that had no free cash and no stabilization fund balance available for use in FY2011.
- ▶ The records of the accountant (\$95,765) and the collector (\$75,252) disagree on the amount of motor vehicle excise owed by residents to the town as of June 30, 2010.
- ▶ The records of the accountant (\$116,732) and the collector (\$59,775) disagree on the amount of water charges owed by residents to the town as of June 30, 2010.
- ▶ Overlay balances are in doubt because the accountant and assessors have not reconciled their respective records.
- ▶ The water department creates water usage bills, then collects and posts payments received from residents. Allowing the same department to both issue bills and collect payments violates a fundamental check and balance.
- ▶ Departments are allowed to overspend their appropriations. In FY2010, the police department spent 12.5 percent more than it was appropriated. The highway department overspent its appropriation by \$10,714. Overall, appropriation deficits totaled \$39,000.

- ▶ Upon taking office, the newly elected town collector discovered a balance of \$224,000 in the bank account maintained by the former collector. Unaware that these funds existed, the treasurer borrowed money, at a cost, to cover town obligations.
- ▶ It appears that the former collector did not post motor vehicle abatements. As a result, residents received demand notices for obligations that had been abated.
- ▶ Because of on-going deficiencies in the town's financial practices, particularly in regard to receivable reconciliations, Blandford is one of only a handful of municipalities that is required to file a balance sheet before DOR will certify the town's annual tax rate.
- ▶ The Government Accounting Standards Board (GASB) sets financial rules for municipalities nationwide. Under GASB 34, a town is required to inventory the age and condition and place a value on all of its fixed assets (capital items and infrastructure). GASB 45 requires communities to quantify, through the completion of an actuarial assessment updated every two years, their long-term healthcare obligations to employees upon retirement. Blandford complies in neither instance.
- ▶ The town's outside audit for the fiscal year ending June 30, 2010 is only recently underway because of an inability of finance officers to produce reliable statements of town activity. The management letter accompanying the independent audit completed for FY2009 included 18 separate comments - a high number for a small town. Audits for 2009 and the two prior fiscal years cited control deficiencies, significant deficiencies and material weaknesses, all of which reflect serious lapses in the town's financial practices. Some but not all areas of concern included:
  - Multiple instances were cited where town departments failed to comply with state procurement laws.
  - The lack of financial controls and the neglect of legal responsibilities were found in the vendor payment process.
  - As in the past, the absence of receivable reconciliations between the accountant and collector was identified as a material weakness, calling into question the town's ability to accurately state its financial position.
  - For successive years, pay rates of some employees were not supported, creating the risk that inappropriate salaries or wages were being paid.

We concur in all the findings and comments in the Melanson & Heath management letters. The fact that many of the deficiencies cited in the audits are repeated year-after-year underscores the town officials' lax attitude toward serious operational shortcomings. With the hope to encourage town action, we provide further detail on corrective measures relative to some of the more significant areas of comment.

We have followed in the local media and through correspondence to DLS the controversies surrounding the former collector and the management of her office. We also

interviewed the newly elected collector and saw first hand the condition of records and backlog of work left behind by her predecessor. From an objective perspective, past criticisms have merit.

Lastly, after much debate and delay the selectmen authorized the expenditure of \$3,000 to audit the town's receivables as required by law (M.G.L. c.60, s.97) when a change occurs in the collector's position. The preliminary report of CPA Josephine Sarnelli was presented to the selectmen in the first week of August. In it she offers comments and recommendations to strengthen financial control as we do in this report. However, she also cited disturbing gaps in the chain of possession of \$480,000 of town receipts. It is our understanding that the selectmen, again with some reluctance, approved the expenditure of an additional \$5,000 to complete her report.

Despite recent decisions, it is puzzling how a majority of the selectmen have failed to acknowledge or act to resolve the litany of documented deficiencies in the administration of town finances, which have persisted over years. A former selectman and finance committee members clearly grasp the seriousness of the town's financial problems, but have been rebuked in attempts to address them by a majority of the board. Of concern as well, in our efforts to complete this report, one selectman was unwilling to speak with us, we were unable to reach the highway supervisor and the town's technology consultant was unresponsive to our email request to speak.

It is equally striking that the town residents do not see or are not concerned about the connection between the job performance of both the elected treasurer and (former) collector and the depth of the town's financial management issues. In a resulting environment devoid of accountability, town employees are allowed to believe that rules need not be followed or, for some, that town responsibilities need not be a priority and can be relegated to incidental status.

Conclusion. Missing in the management of the town is any emphasis on sound practices or concern for financial controls, except among a few in town government. These issues have been persistently raised by the town's independent auditor, finance committee members, a former selectman, DOR and now a second independent auditor. But, up until now, a majority of the selectmen, as well as town residents, have appeared unwilling to acknowledge that problems exist. As a result, fiduciary responsibilities are neglected and corrective action has been virtually non-existent. The exceptions are the assessors' office where the assessors' clerk has been the catalyst for significant positive change in that department. And, the newly elected collector, who early-on seems to devote substantial time to the office and effort to the work that needs to be done.

The lapses now contribute to a very loose brand of government where town employees, whether elected or appointed, are not held to any standard of performance. In some cases, they act based on what's convenient for them. The interdependency of town offices is ignored. There is no coordination of financial activities. More importantly, these lapses have cost the town real dollars, as evidenced by high receivable levels and three straight years of negative free cash.

For the Town of Blandford - a \$3.35 million enterprise - creating accountability means restructuring municipal government by establishing clear lines of authority. A shared, but fully

empowered, town administrator to whom all employees report is one component of the solution. Converting the treasurer and collector to appointed positions which report to the administrator is another. Acknowledging the responsibilities of the finance committee in the town budget process and its role as a watchdog for town meeting are others.

The part-time nature of government and the finance offices is not at issue. A 15-hour work week should be sufficient time for the accountant, treasurer and collector to fulfill their respective responsibilities. However, we are not convinced that the accountant and treasurer are giving requisite hours as both have other full-time jobs.

The recommendations we offer in this report are intended to help tighten government operations, establish checks and balances and strengthen the financial footing of the town. First and foremost we underscore the importance that the selectmen publicly support the work of the CPA Josephine Sarnelli and that they see her report to its final conclusion, whatever the cost. At stake are the integrity of town government and the confidence residents have in it. Ultimately, the selectmen and town residents must demonstrate the political will to change the culture in town hall by defining expectations and creating accountability. Otherwise, we are certain no progress will be made and no financial relief will be realized.

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## Primary Recommendations

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In this report, we offer recommendations that focus a long list of finance and government related issues facing the Town of Blandford. All warrant attention. In each instance, we attempt to explain the problem or deficiency and provide steps or an action plan to address them. However, it is not a reasonable expectation that the town can achieve all the presented in the short-term. The volume of recommendations is a strong indicator that much needs to be done to bring town financial operations within the norm of the vast majority of Massachusetts municipalities. Ultimately, strong and decisive leadership has to emerge if any positive change is to occur.

### **Make Changes in Town Governance**

**Share a Town Administrator.** We recommend the board of selectmen establish a three-person committee to explore with neighboring towns the prospects for sharing a town administrator. Members of the committee might include a board member, a finance committee member and a resident agreeable to both. The committee should be charged as well with developing job responsibilities. The town can rely on its town administrator bylaw to establish the position and if it does, job responsibilities should include all those the selectmen have the authority to assign. The better course is to create a town administrator position through a special act approved by the state legislature. A special act places no limitations on the authority that can be placed in the position. For instance, through a bylaw alone, the selectmen could not delegate the full range of their appointing authority to a town administrator.

First and foremost, the town administrator should be sufficiently empowered to hold town employees accountable, which comes from having appointing authority and budget control. The town administrator should be granted authority to appoint specific positions or to make appointments subject to the approval or to the veto of the board of selectmen. The town administrator should be responsible for formulating a budget recommendation that would be reviewed by the board of selectmen and forwarded to the finance committee. Among other tasks, he or she would develop revenue projections at the start of the budget process and monitor expenditures during the course of the fiscal year. The administrator might also work solely or with an audit committee to ensure that the town addresses the findings contained in its annual audit.

Working one or two days a week, the town administrator would regularly meet with the town's financial officers, which would include the accountant, treasurer, collector and assessors' clerk. The meetings would serve as a vehicle to coordinate critical financial functions and, in particular, ensure that the town's Tax Recap Sheet, balance sheet and Schedule A are completed on time. Issues that cross department lines like those relating to cash and receivable reconciliations, free cash and technology can also be addressed.



An agreement to share a town administrator executed by the towns of Ashby (pop: 2,400) and Ashburnham (pop: 6,000) might serve as a good model.

**Transfer Authority to Appoint the Finance Committee.** We recommend a bylaw change that shifts the authority to appoint the finance committee from a committee comprised of the three selectmen, the town moderator and the town clerk entirely to the town moderator. The finance committee in Blandford develops the town budget (and would continue to play an essential budget role under a town administrator). It is directed by bylaw to comment and recommend on all town meeting articles, not just financial ones. Also, the committee is granted the latitude to present comments to town meeting on any subject it deems to be in the best interest of the town. The finance committee reports to town meeting and by virtue of these expanded responsibilities serves in a watchdog role. It is appropriate therefore that the moderator, representing the interest of town meeting, appoint the finance committee members as is the case in many Massachusetts towns. Also, because selectmen and finance committee members have and will disagree on issues, sometimes sharply, the proposed change removes the risk of politics entering the appointment process. Lastly, we have not seen anywhere, nor can we find any reason why a town clerk would have a role in appointing a finance committee.

**Convert Collector and Treasurer from Elected to Appointed Position.** We recognize that articles to appoint the collector and treasurer were rejected at the May 2011 annual town meeting. The rejections do not, however, make the reasons for the change less compelling. Unlike policy making positions - typically boards and committees - the treasurer and collector positions require specific skill-sets. An appointment process expands the pool of potential candidates with the experience and qualifications critical to the position. When appointed, the treasurer and collector would be on equal footing with other town hall employees and subject to the same rules and performance standards. As it is now, should either the treasurer or tax collector resign or choose to not pursue reelection, there is no guarantee that those possessing the necessary knowledge and capabilities will seek and win election.

The town also has the option through a special act to combine the offices of treasurer and collector. Because of the parallels in the responsibilities of each of these offices, many communities are combining the collector's and treasurer's operations to improve cash management and to gain efficiencies. Having receipts collected, counted, posted, deposited and managed in the same office makes organizational sense.

Lastly, if the treasurer and collector become appointed offices, an analysis should be conducted to assign realistic part-time hours and fair compensation to each position. The same assessment should be conducted relative to the accountant position now.

## Resolve Receivable Variances

Because the former collector and the accountant have not regularly reconciled their records, the amount of money owed the town is not known with certainty. More importantly, when the collector and accountant failed to identify the cause and correct a variance in real and personal property taxes, it costs the town actual dollars each year. The town's free cash as of July 1, 2010 was reduced by \$185,000 due to variances and was certified as a negative \$159,523. If not addressed, a variance carries over and will negatively impact free cash from year-to-year.

The chart below shows the variances reflected in data submitted to DOR by the accountant and collector as of June 30, 2010. Variances are common, but Blandford is one of only a few communities where little or no effort had been made by the former collector and accountant to clear them so that certainty might be brought to town financial records. Because receivable levels are unverified, even the variances are suspect.

As of June 30, 2010	Accountant	Collector	Variance
Real estate taxes	778,506	597,940	180,566
Personal property taxes	58,994	62,458	(3,464)
Motor vehicle excise	95,765	75,252	20,513
Water charges	116,732	59,775	56,957

Source: FY2010 Report of Outstanding Receivables submitted by the town to DOR

Normally, resolving this type of issue requires a commitment of time from the collector and the accountant, as well as the involvement of the treasurer. The problems in Blandford are so deep-rooted that it is questionable they can be addressed internally. With the change in elected collectors, there is also a statutory requirement (M.G.L. c. 60, s. 97) to engage a qualified auditor to determine the amount of uncollected taxes. This has been done and the CPA, Josephine Sarnelli, has provided a preliminary report to the selectmen. To move the process forward, additional funds have been approved.

We strongly recommend that the selectmen see this important project to its completion. We further recommend that the selectmen provide public support and funding, if necessary, to allow inquiry into related issues Ms. Sarnelli might raise regardless of whether they involve offices other than the collector's office.

## Complete Reconciliations Monthly

Resolving variances will only benefit the town if the reconciliation of cash and receivables continues on a regular basis into the future. Reconciliations of cash and receivables

are not only a critical financial control, but a fiduciary obligation of the accountant, collector and treasurer. It is our understanding that the reconciliation of cash occurs only once a year in July. The accountant has no recollection when the last reconciliation of receivables took place. These lapses are perennially noted as a material weakness in the management letter that accompanies the town's annual outside audit. Instead, reconciliations should be a priority and a responsibility shared by the accountant, collector and treasurer. The selectmen, for their part, should require a monthly reconciliation report from the accountant.

The process should begin with internal reconciliations of cash and receivables, respectively, by the collector and treasurer. This requires verification that entries in the collector's receivable control and the treasurer's cash book are supported by source documents. Once completed, the collector's receivable control balances of outstanding amounts due and the treasurer's records of cash should be reconciled externally to the accountant's general ledger balances to ensure that the records of the two offices match. Until individual internal reconciliations by the treasurer and collector are measured against the accountant's general ledger and adjusted for any necessary variances, they do not satisfy DOR requirements.

In regard to receivable reconciliations, prior to meeting, the accountant should:

- 1) Verify that the July 1 tax levy in the general ledger matches the copy of the tax commitment received from board of assessors; each month, verify that the outstanding amount at the end of the prior month matches the outstanding amount at the beginning of the current month;
- 2) Verify that abatements and exemptions, if any, indicated in her general ledger match the total amount on abatement and exemption certificates or lists she received from the assessors during each month;
- 3) Verify that refunds, if any, indicated in her general ledger match refunds paid through the vendor warrants during the month;
- 4) Verify that the real estate tax payments as indicated in the general ledger match the amounts indicated on copies of turnover sheets received from the collector.

Prior to meeting, the collector should:

- 1) Verify that the July 1 tax levy in the general ledger matches the copy of the tax commitment received from board of assessors; each month, verify that the outstanding amount at the end of the prior month matches the outstanding amount at the beginning of the current month;

- 2) Verify that abatements and exemptions, if any, indicated in her receivable control match the total amount on abatement and exemption certificates or lists she received from the assessors each month;
- 3) Verify that refunds, if any, indicated in her receivable control match refunds amounts she sent to the accountant for payment on the vendor warrant during each month;
- 4) Verify that the real estate tax payments posted to taxpayer accounts in SoftRight match the amounts indicated on turnover sheets sent to the accountant and treasurer.
- 5) Verify that outstanding receivables as shown on her control matches the receivable detail (the list of all property owners who owe property taxes).

## Take Steps to Generate Free Cash

Free cash is a revenue source which results from the calculation, as of July 1, of a community's remaining, unrestricted funds from operations of the previous fiscal year based on the balance sheet as of June 30. It typically arises when actual receipts exceed revenue estimates and when at year end departments turn back unspent dollars. Contributing as well is unexpended free cash from the previous year.

Free cash is offset by property tax receivables, cash and receivable variances and certain deficits. As a result, it can be a negative number as has been the case in Blandford in each of the last three years. Most recently, the town's free cash as of July 1, 2010 was reduced by \$185,000 due to real and personal property tax variances. Another \$39,000 in deductions was attributed to a number of deficits in spending accounts. Absent these "hits," the town would have been in a much stronger position to generate free cash.

The selectmen can make it a town goal to generate free cash. They can achieve that goal by requiring the following:

- 1) **Estimate Local Receipts Conservatively.** With the exception of FY2006 and FY2007, the town has done well in this regard. To continue, the selectmen might adopt and commit to a policy that in any year, local receipt estimates would be no greater than 90 percent of the most recently completed year's actual receipts.
- 2) **Eliminate Appropriation Deficits.** When departments are allowed to overspend their appropriations, deficits result which reduce the town's free cash. The first protection is for the accountant, under authority of M.G.L. c.41, s.58, to disallow the payment when she reviews invoices. She would then report the potential deficit to the selectmen and to the department, board or committee where the invoice originated. The selectmen should also refuse payment unless and until provisions are made to cover the expense. Second, the town should adopt a more realistic budget in the spring and impress upon department heads that no additional money will be

- forthcoming. Finally, if departments routinely overspend, the town can implement a purchase order system, which would require advance approval of the purchase of any goods or services. Currently, invoices arrive after goods and services are delivered.
- 3) **Reconcile Variances.** Until the accountant and the collector resolve the current variance in receivables, the difference in their records will be a hit against free cash and it will be difficult to generate a positive outcome. Accounting for the \$224,000 discovered in the former collector's bank account could go a long way toward resolving current variances. Ms. Sarnelli suggests that data conversion issues from Point to SoftRight financial software could also be a factor. It should also be explored.
  - 4) **Reduce Receivables.** The collector should take the necessary steps to move real estate receivables into tax title, which transfers collection responsibilities to the treasurer. By doing so, the collection process moves forward and as back taxes are collected the town's undesignated fund balance and ultimately free cash benefit.
  - 5) **Monitor Overlay Reserves.** As the collector moves receivables into tax title, the assessors should, if justified, make a corresponding downward adjustment in the overlay reserve. In this way they can minimize the impact excess overlay can have on free cash. It also allows them to release overlay surplus. However, we agree with the assessors in the opinion that until the accountant and the collector reconcile receivables, releasing overlay surplus would be imprudent.

## Form an Audit Committee

We recommend that the board of selectmen create an audit committee. An outside audit is a report on the accuracy of the town's year-end financial statements and an examination of a community's financial systems and procedures. It can serve as a valuable management tool for evaluating the town's fiscal performance. Equally important, the management letter which accompanies an audit alerts the town to areas where financial controls are lacking and to other bookkeeping deficiencies. The 2007, 2008 and 2009 audits by Melanson Heath and Company each identified a number of "material weaknesses" in the town's financial operations, many of which were recurring from prior years. As of July 2011, the FY2010 audit has not yet begun due to the inability of the town to delivery complete financial statements.

The town officials' inaction on these audit deficiencies falls far short of their fiduciary responsibilities. An audit committee would be a significant step in the right direction. The committee would review the independent auditor's management letter. Absent a town administrator, it would meet with the selectmen who, working with finance officers, would formulate a corrective action plan to address issues. The selectmen and finance officers would be primarily responsible for the execution of the plan and the audit committee would monitor progress.

An audit committee of three or five works well when comprised of a finance committee member and residents with appropriate backgrounds. Given the substance of an audit report,

finance officers should not serve as members of the audit committee in order to avoid potential conflicts of interest.

Also, on the subject of audits, it often happens that municipalities will rely on one auditor or audit firm for multiple years. In fact, the Government Finance Officers Association (GFOA) recommends that communities engage the same auditor by entering into multi-year agreements, or a series of one-year contracts, for a term of at least five years. A multi-year agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. However, after this term, GFOA recommends a full competitive selection process and a rotation of auditors after each multi-year agreement, provided there is adequate competition among qualified auditors. Contracting with a new audit firm can not only bring a fresh perspective, but reflects good practice. In general, communities are encouraged to re-advertise for auditing services every five to eight years. GFOA also acknowledges circumstances or locations where there is a lack of competition among fully qualified auditors. In such cases, the participation of the current auditors is acceptable, particularly with a change in the principal auditor assigned to the town. This also assumes the auditor or audit firm's past performance has been satisfactory and has conformed to industry standards.

## **Modify the Budget Process**

A budget process consistently executed from year-to-year builds credibility at town meeting and establishes clear, even-handed rules for all departments. The process must be planned and coordinated. Under town bylaws, the finance committee is assigned a major role in town finances. It develops and presents the annual budget to town meeting. It is directed to make recommendations on all town meeting articles, not just finance-related ones. It is granted the standing to comment on any subject it deems to be in the best interest of the town.

Town boards, committees, department heads and all officials authorized to spend money have statutory obligations. Under M.G.L. c.41, s.59, they must submit "detailed estimates of the amount necessary for the proper maintenance of the department under their jurisdiction for the ensuing fiscal year with explanatory statements as to any changes" from the current year appropriation. This information must be submitted by, the later of, December 21 or 90 days prior to town meeting. The accountant is then responsible for providing the finance committee with the information in a table or spreadsheet together with other data as prescribed in c.41, s.60.

While it is not the role of a finance committee to involve itself in the day-to-day administration of town departments, by interpretation of state law, it is empowered to request and receive whatever data it regards as essential to develop the budget and monitor town finances. Department heads, boards, committees and officials are obligated to provide that information and data. In this context, we recommend the following:

**Develop a Budget Calendar.** Absent a town administrator, the budget development process begins with the finance committee. Therefore, each fall, the finance committee chair should develop a budget calendar and initiate a meeting with the board of selectmen chair to review it. Both committees should sign-off on the calendar and it should be circulated to all departments as part of the appropriation request package. The calendar itself should be developed by working backwards from town meeting. All important deadlines should be identified and spaced to allow sufficient time to complete the necessary reviews, particularly as town meeting approaches. At the very least, the February 15 deadline for the submission of departmental requests should be moved back to January 15. Otherwise, the calendar should include a date when revenue projections should be completed. It should also incorporate a date for presenting the budget to the board of selectmen for their approval and, if a town administrator is part of the process, to the finance committee for its review.

**Modify the Finance Committee Pre-Town Meeting Hearing.** A pre-town meeting public hearing on the budget should occur well in advance of one week before town meeting. At issue is whether the hearing prompts changes to the warrant. The annual town meeting notice must be posted at least one week before town meeting date and must include a description of the articles to be considered. No amendments can be made to the warrant articles after notice is posted. It was suggested that on the basis of public reaction and input at the hearing, changes might take place in the warrant articles. As long as it remains within the scope of the article (as determined by the town moderator), a change can be incorporated into the motion that opens town meeting discussion of the article. Otherwise, a change within a week of town meeting would likely violate the public notice requirement. The town should consider changing the public hearing deadline.

**Develop Revenue Estimates.** As a consequence of the limits imposed by Proposition 2½, municipal budgets in Massachusetts are revenue driven. So, using the Tax Recap Sheet categories as a guide, the finance committee should develop revenue estimates at the start of the budget process. It needs to receive revenue reports from the accountant and should contact department heads where revenue is generated for further insight on potential local receipts. It should work with the assessors to estimate the tax levy and forecast a conservative state aid amount. Adjustments can occur as new state aid information becomes available, but only with revenue estimates can spending decisions be made in accordance with town-wide priorities.

**Appropriation request package.** This information should be under the signature of both the finance committee chair and the chair of the board of selectmen. A letter should provide guidance to department heads on appropriation request levels. An Excel spreadsheet would be included that shows each department's last completed fiscal year appropriation and actual expenditures for that year, current year appropriation and year-to-date expenditures. A blank column would allow requests for the upcoming year. The detail for budget development purposes should match the chart of accounts categories for each department. Departments

should be advised that if they fail to provide needed detail or fail to meet the submission deadline, the finance committee will make budget decisions for them.

**Cease June Special Town Meeting for Line-Item Transfers.** In Blandford the selectmen routinely call a late June special town meeting primarily to transfer funds from line items with surpluses to line-items in deficit. Most communities have monitored expenditures closely enough by May to know where shortfalls or departmental turn backs are likely to occur. With this information, they place an article on the annual town meeting warrant to transfer funds between line-items. The better alternative is to take advantage of M.G.L. c. 44 s. 33B(b) which was enacted in 2004. Between May 1 and July 15, line item transfers can be executed by vote of the board of selectmen with concurrence from the finance committee. The amount transferred from one department to another, or between line-items within a department, cannot exceed three percent of the “sending” department’s budget or \$5,000, whichever is greater. These restrictions work to encourage more precise budgeting.

**Assign Capital Budgeting to the Finance Committee.** The town needs a means to consolidate, review and approve capital requests in a global, objective fashion. This budget process should be assigned to the finance committee through the adoption of a bylaw. The bylaw should define a capital expense as, for example, a purchase or project greater than \$10,000 in cost and with a useful life longer than five years. A proposed expenditure that meets both these criteria must be approved through the capital improvement budget process and in a separate capital article. The finance committee should establish objective criteria which if applied establish priority projects. For instance, is an expenditure legally required; if not appropriated would matching funds be lost; is it to address an emergency or a safety issue. The finance committee should inventory all public buildings, vehicles and infrastructure. With a sense of age and condition, it can establish a long-term plan for repairs and replacement. Ultimately, the finance committee would bring order to the capital program by measuring proposals against each other in the context of town-wide goals. No department would act independently or have a lobbying advantage over another.

## **Take Advantage of Educational and Training Opportunities**

We recommend that the town encourage and fund the active participation of the accountant, treasurer, collector and assessors’ clerk in professional organizations. The administration of local government is a constantly changing field. Participation in professional organizations offers an opportunity for town employees to interact with their peers, to exchange information and experiences, and to learn of innovations in their respective field of interest. Attending formal professional training and refresher courses (e.g., workshops and/or the annual schools sponsored by the Massachusetts Collectors and Treasurers Association or the Massachusetts Accountants and Auditors Association) will provide useful information and



opportunities to learn about alternative professional practices conducted in other municipalities. There are also numerous training opportunities offered by various consulting firms. For a complete list of municipal officer associations, please visit the Massachusetts Municipal Association website at [www.mma.org](http://www.mma.org). The organizations listed offer regular meetings complete with workshops and other training opportunities.

The town should also arrange for a refresher course for the accountant, treasurer, collector and assessors' clerk in the use of the SoftRight financial management software, even though it was installed just over a year ago. The absence of good reporting and the source of data entry problems can oftentimes be traced to a lack of staff training. Of concern is the risk that the town's investment in state of the art hardware and software will be squandered because employees are not trained in their use.

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## Recommendations by Department

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### Accountant

The current accountant was asked to take-on the position six years ago and since that time has served simultaneously as the elected town clerk. She devotes about 16 hours a week to both positions combined. She entered the job with some knowledge of accounting, but with no work experience or formal training as a municipal accountant or bookkeeper. She has a full-time business and states on her website that “In her spare time, she is the Blandford Town Clerk and Town Accountant.” She speaks of minimal accounting experience when she was asked to take on the accountant’s position. She has attended association sponsored accountant’s schools over the years and she believes she has adequate training in the SoftRight financial software on which she maintains the town’s general ledger. The accountant would benefit from additional training and needs guidance on where priorities lie and direction as to what is expected of her. We recommend the following:

**Devote More Time to the Job.** The accountant has a full-time job, but states that she works on town business each Sunday at her home and on Mondays in town hall (office hours: 7-9 pm). She also indicated that she spends about 16 hours per week on the accountants and town clerk duties, combined. The accountant reports to the selectmen, so they should set job performance priorities for her. Once expectations are clear, the discussion should focus on whether the current allocation of time is adequate. If so, the accountant should be prepared to give more time to the job. Until the accountant fulfills all duties, it is difficult to judge whether her compensation is fair. However, any discussion of a pay rate should include a survey of hours and compensation among accountants in neighboring towns. To help, we have included a list of the accountant’s statutory responsibilities in the Appendix to this report.

**Issue Departmental Expense Reports.** Under M.G.L. c. 41, s. 58, the accountant is obligated to deliver a monthly expense report to the selectmen and to each town board, committee, department head or officer, including the finance committee. This is not now happening, but the report is a useful and important tool for monitoring town financial activity. They can be e-mailed, and if printed, can be placed in the slots we later propose be set-up for each department’s mail.

**Set Invoice Approval Rules.** Each week the accountant receives invoices from departments to be included on the vendor warrant for payment. Some are hand delivered when she is in town hall, while at others times, they are slipped through the slot in the accountant’s office door. Some departments include a cover sheet; some arrive late; most are signed. Some invoices are copies and in some instances, the accountant is expected to fill-in the account number to be charged. At least one department submitted no invoices for a period prompting

vendors to call looking for payment. Again, these are the trappings of government by convenience.

While much could be said here, our recommendations focus on two points. First, the accountant must receive original invoices. If she receives copies or facsimiles, she should refuse to process them for payment and so notify the department. Once the vendor warrant is signed by the selectmen, she should retain and file all originals by warrant. Second, it is not her job to determine what departmental accounts should be charged. If a department head fails to indicate the line-item to which a particular invoice is to be charged, the accountant should call for clarification, or return the invoice to him or her.

It is the accountant's job to ensure that all invoices, cover sheets, are signed by department heads. It is her statutory responsibility to ensure that there are sufficient funds in the line-item to cover the invoice, that the purchase is consistent with the intended use of the line-item to be charged and that there is no evidence of fraud.

The accountant might also consider producing vendor warrants every other week, alternating with payroll warrants. The selectmen meet weekly and can approve each on alternating weeks. The primary consideration is whether the workload can be spread over the two-week period.

**Do Not Allow Over Expended Accounts.** In FY2010, overspending by departments created \$39,000 in year-end deficits, which as a deduction, contributed to the town's negative free cash. Whenever a department head submits a bill that overspends his or her appropriation, the accountant is not just authorized but directed by state law (M.G.L. c.41, s.58) to withhold her approval for payment. When this occurs, the accountant should contact the department head, as well as the board of selectmen, who are also obligated to withhold their approval. If a lawful transfer of funds can cover the expense, the invoice can be placed on the warrant after the transfer occurs. If not, then no payment can be made even though the goods or services have been received.

**Monitor Procurement Compliance.** The accountant needs to understand the procurement rules under M.G.L. c.30B and should review invoices for compliance. She should refuse payment of an invoice if evidence of three quotes is missing, or if the bid or RFP process were clearly circumvented. She should first request back-up documentation or verification from the town's designated procurement officer (currently one of the selectmen). She should also notify the selectmen and the department involved that she is withholding payment and why.

**Comply with GASB 34 and GASB 45.** Planning compliance with GASB directives usually falls to the municipal accountant. We encourage the accountant to learn about fixed asset requirements of GASB 34 and how compliance might be met in Blandford. GASB 45 requires the town to report its liability for so-called "other post employment benefits," but Blandford would likely qualify for the "small town exemption" built into the standard. The accountant can consult her counter-parts in surrounding communities or contact the town's outside auditor for

guidance. She should then report to the selectmen what steps are necessary bring the town into compliance with the standards.

## Treasurer

The current treasurer is elected and has been in office for 16 years and understands the requirements of the job. However, she has a private sector full-time job which allows her to devote only about 10-15 hours a week to town treasurer responsibilities. She typically works Sunday at home and Mondays nights at town hall on municipal business. The treasurer maintains numerous bank accounts for town funds; processes payroll; issues checks to cover town obligations; functions as benefits administrator; maintains personnel files; and prepares the annual statement of indebtedness. But, other important work does not get done.

The recommendations that follow focus on identifying priorities and tightening operations in the treasurer's office.

**Devote more time to the job.** The treasurer has a full-time job, but states that she works on town business each Sunday at her home and on Mondays in town hall (office hours: 7-9 pm). She also indicated that she spends 10-15 hours per week on the treasurer's duties. A full 15 hour work week should be sufficient to do the job, including completing the backlog of work that the treasurer has allowed to slide. If the residents choose to elect the treasurer, they must make a better effort to understand whether the requirements of the job are fulfilled. It is then up to the residents to impress upon the treasurer the need to devote her full effort to her fiduciary responsibilities. The better option is to convert the treasurer from an elected to appointed position. Job reviews and accountability would follow. We have included a list of the treasurer's statutory responsibilities in the Appendix to this report.

**Report receipts to Accountant at least monthly.** All departments turn money they collect over to the treasurer. The original paperwork, called a turnover sheet, should be presented to the treasurer and a copy should be delivered by department personnel to the accountant. Once a month or more frequently, the treasurer should provide a separate report to the accountant documenting the money she received. Then the accountant compares the report total to the sum of her turnover sheets for the same period. At the end of the month, a further check and balance takes place through the reconciliation of cash between the treasurer and accountant. However, none of this happens because the treasurer last reported receipts to the accountant in September 2010 and last reconciled cash as of June 30, 2010. Despite the fact that the treasurer reconciles her records to bank statements regularly, which satisfied her own needs, unless her records match the accountant's general ledger DOR requirements are not met and the cash standing of the town is in doubt. The treasurer needs to find the time to provide regular reports of receipts to the accountant.

If the town hall computers were networked, when the treasurer posts receipts, the data would be in the SoftRight system and immediately available to the accountant. The accountant would then verify the treasurer's receipts against the turnover sheets she received and town's cash position would be up-to-date.

**Reduce Tax Title Accounts.** In FY2010 the treasurer's office received appropriations totaling \$11,500 for the purpose of reducing tax titles. By year-end, approximately 50 percent of the funds were expended, but tax title and tax foreclosure accounts increased to \$153,553 from \$71,521 at the end of FY2009. In this report, we recommend steps the collector can take to reduce real estate receivables, which totaled \$778,506 at the end of FY2010. Significant to this process would be accounting for the \$224,000 discovered in the former collector's bank account.

However, even if her success includes payments, the treasurer should expect that the remaining receivables will be moved into tax title status and will add significantly to the current total. Therefore, the treasurer should devise a plan for reducing tax titles and allocate time to execute it. Options include the following:

- Issue letters to property owners warning them that if taxes remain unpaid, foreclosure proceedings will be initiated to take their property;
- Issue subsequent letters informing delinquent owners of the town's intent to file a Land Court petition to foreclosure on their property on a date certain, which leads to selling it at auction to recover back taxes;
- Place a priority on moving properties with the largest outstanding balances due through the Land Court foreclosure process;
- Identify and act on "land of low value" properties. These properties, improved or vacant, can be placed on a fast track toward auction outside Land Court proceedings. To qualify, a tax title property must have a current assessed value less than \$19,450 for calendar year 2011.
- Identify multiple parcels under single ownership. Greater efficiencies can be gained by dealing with these properties together either in Land Court or during a negotiation of a partial payment agreement.
- Identify accounts with bad addresses and/or deceased properties owners. If after a diligent search, an owner cannot be found, available options include a petition to the Commissioner of Revenue under M.G.L. c. 59, §11 seeking authorization to assess taxes to the person in possession of the property (if this is the case), or to assess the taxes to persons unknown. If unknown and taxes remain unpaid, the property can be moved through the foreclosure process.
- Review existing partial payment agreements to ensure that each is being honored and that payments are sufficient enough to pay down balances as new taxes accrue. If not, the agreement should be restructured or voided, and foreclosure proceedings should be initiated.

The issue of fairness is reason enough to expend time and money to collect taxes due to the town. However, when tax titles (and receivables) increase, the perception grows that paying taxes is not important and not taken seriously by the town. Decisive, deliberate action can reverse this perception and ensure higher collection rates in the future. Support must also come from the selectmen and finance committee. They should meet with finance officers to determine how the problem can best be approached and what resources, in time and money, are available.

**Set Rules for Turnovers.** The treasurer receives money collected by at least nine different departments, many operating under their own rules. Money is mailed to the treasurer; slipped under the door; left with a little note attached; or not delivered at all for an extended period of time. When documentation is attached, the treasurer often makes copies and delivers it to the accountant.

Outlined below is how the turnover process is supposed to work and how it does work in the vast majority of Massachusetts cities and towns.

-All receipts should be delivered in person to the treasurer's office during Monday office hours, which should be expanded to include daytime hours.

The accountant and the treasurer share an office, but the accountant is prohibited by state law from receiving or otherwise handling money.

-All turnovers must have a turnover sheet attached, signed by the department head. A standard format, customized for each department works best.

The form can be created in Excel once as a template and e-mailed or manually distributed to each department. The name of the department is at the top of the page with appropriate locations at the top or bottom for dates, affirmations and signatures. The form is also preprinted with one column that lists all the revenue types that originate from the department and a second column with corresponding account numbers. A third, blank column allows for the manual entry of turnover amounts. If entered electronically, the total can be automatically calculated at the bottom.

-Department personnel should wait while the treasurer, in their presence, counts and verifies that cash and checks equal the amount indicated on the turnover sheet.

-On verification, the treasurer adds her signature to the turnover sheet. Two copies can then be made: one for the department and one that the department person (and not the treasurer) immediately delivers to the accountant.

A copy of the turnover sheet by the department person to the accountant is a critical financial control and essential to the reconciliation of cash.

**Establish a Bank Account Near-by / Explore Check Scanning.** The treasurer is the town's cash manager, has custody of all municipal funds and is solely empowered to determine where town bank accounts will be established. Because it makes sense for the collector to

deposit property tax receipts directly into the treasurer's bank account, the treasurer should open a general account in a nearby location. She should focus on a bank that offers check scanning capability. This would allow the collector to deposit checks electronically from her office using a scanning device which is linked to the bank. Her turnover would then include a deposit slip, but no check.

The treasurer might also consider altering the way she uses accounts. Most often, municipal treasurers establish a general account as a repository for all general revenue, including enterprise fund revenue. A separate payroll account and vendor account would also be set-up into which money would be transferred to cover warrants. It helps if these three accounts are in the same bank. This approach is advocated by the Massachusetts Collectors and Treasurers Association. All trust funds might be held in a separate account, with sub-accounts to facilitate the allocation of interest. A separate investment fund is also common, although many communities deposit to the Massachusetts Municipal Depository Trust (MMDT).

## Collector

The current collector was newly elected in May 2011. She is an accountant by training and previously served three years as chair of the Blandford finance committee. Her posted office hours are Monday 6-9 pm and Tuesday 3-7 pm, but new to the office, she spends additional hours learning the job and addressing a back-log of work. Her priority is posting stacks of checks left on the office desk and dating back to January 2011. Taxpayer accounts are maintained in the SoftRight application collector's module. She is also dealing with receipts showing cash payments that were never posted and resident complaints about receiving demands for payments already made.

Disturbing issues and allegations involving the work of the former collector were in large part ignored and left unresolved by two of the town's three selectmen. The resulting burden placed on the new collector is to address a disorganized backlog of work, to institute sound practices as well as improve the public image of the office.

The new collector faces a learning curve, and she seems up to the task. However, like the treasurer, this position should be appointed rather than elected. Job reviews and accountability would follow. We have included a list of the collector's statutory responsibilities in the Appendix to this report.

**Reduce Receivables.** When a property owner fails to pay a real or personal property tax by the May 1<sup>st</sup> due date, it becomes an amount owed the town and is a receivable. The collector's response should be to send demand notices for payment in May and subsequently execute tax takings, which secure the town's lien on the property. At this point, the property becomes a tax title account and responsibility shifts to the treasurer to pursue recourse through the foreclosure process. Steps in the process for the collector are clearly set-out in the official

Collectors Manual, online at <http://mcta.virtualtownhall.net/Pages/index>. In Blandford, personal property, motor vehicle and water receivables should be addressed.

**Utilize Check Scanning Technology.** The new collector has explored the feasibility of using a check scanning device in the office. We strongly support this option. It would allow the collector to deposit tax payment checks directly into a town bank account from the office. The deposit would be immediate and, if formats are compatible, taxpayer information could be electronically uploaded into the SoftRight system.

**Deposit Directly to the Treasurer's Bank Account.** Once cash and receivable variances are resolved and reconciliations are competently completed on a regular monthly basis, it makes sense for the collector to deposit payments she receives directly into the treasurer's bank account. She would then attach a deposit slip to her turnover sheet to the treasurer and provide a copy to the accountant. To accommodate this change, the treasurer should open a general repository account in a bank that accommodates check scanning. This is a far cleaner process, the collector is relieved from maintaining an unnecessary bank account and money is immediately available to cover town obligations. Also avoided would be instances where the treasurer was forced to borrow to cover town obligations this year because the former collector failed to turnover or reveal \$224,000 in her account.

**Exchange Data and Payment Electronically with Tax Escrow Services.** Financial institutions that receive mortgage payments from property owners also pay local real estate taxes on their behalf. To do this they need information on the tax due. Rather than spend time conducting searches for these institutions, the collector should make the entire commitment available to them on disk. It can be mailed out or electronically transferred. She should insist 1) that the institutions make payments in a single check for all their clients and 2) that corresponding taxpayer information be provided electronically in a format that allows her to automatically upload it into the SoftRight system. SoftRight support should be able to tell her what format the data needs to arrive in and what steps are involved with uploading it.

**Clarify Deputy Collector Relationship.** Beginning in FY2011, Kelley & Ryan have been engaged to provide deputy collector services to the town, but the tax collector is unaware of any written contract that establishes the terms of the relationship. Typically, deputy collectors assist towns with motor vehicle excise billing and delinquent collections, but can be engaged to do more.

We recommend that the tax collector request, review and execute a contract with Kelley & Ryan. It should precisely specify what services the town will receive at what cost. It should also address the handling of receipts in a manner which complies with DLS regulations. Specifically, any bank account into which the deputy collector deposits receipts must be in the name of the town. It can be set-up as a joint account, but the town must have sole control and receive monthly bank statements. All payments received by the deputy collector must be deposited into the account. The deputy collector should provide the town with a periodic report of collections and an invoice for fees. To create an audit trail, the deputy collector's fees should be approved and paid through the town vendor warrant process.



**Control Money Handling.** Apparently, it has been a common past practice for employees in town hall other than the collector to receive tax and other payments from residents. Even absent the current issues concerning alleged unposted payments and lost checks, this practice should cease. At the very least, no one should receive money on behalf of the town unless they are bonded. The collector should look for other ways to expand opportunities for residents to make payments to the town. Online payments, collection kiosks, on-site drop boxes and expanded office hours all represent options. In particular, a drop box should be solely dedicated to the collector where she alone has a key. This is not currently the case in Blandford. As a result, there have been instances when others have emptied the drop box and delayed delivering tax payments to the collector. For residents, this could mean that their timely tax payment is posted late and they are subject to penalties.

## Assessors

A three-member, part-time board of assessors is elected to oversee the assessing department. The day-to-day business of the department is managed by the assessors' clerk who has held the position for three years and is scheduled for 20-hours a week, but sometimes works more. Her efforts earned her the "2010 Clerk of the Year" award from the Massachusetts Association of Assessing Officers. The office uses software developed by Patriot Properties to retain property information and for valuation analyses, and has access to the SoftRight software as well. The department engages the services of Mayflower Properties, a consultant, to conduct property inspections, complete valuations and manage personal property accounts. Through the efforts of the assessors' clerk, with the support of the board, the assessors' office functions well.

The assessing department gets high marks from the DLS Bureau of Local Assessment. While there are areas of the operation that warrant attention, they tend to be minor. During her time in the office, the assessors' clerk has been diligent in tightening up the operation. Deficiencies noted in the town's annual audit are being addressed. Communication with the accountant and new collector has improved leading to progress on reconciliation issues. Consequently, we have only one recommendation to offer.

**Monitor Overlay Balances.** Admittedly it is difficult for the assessors to determine if overlay reserves are adequate when receivable levels are in question. However, annual overlay reserves date back to 1985 and include years where no receivables are identified. There are other early years where the designated overlay is well in excess of the receivable level. We encourage the assessors to revisit these years to determine whether they can safely release surplus overlay.

## Administrative Assistant

The administrative assistant began in May 2011, works directly for the selectmen and devotes 10 per week to the position. She also works four hours each week in the highway department and is employed part-time at a local bank. Among her responsibilities, she handles selectmen's mail, prepares the agenda and prepares information packages for selectmen's meetings, takes minutes at the meetings, updates surety bonds and handles all email correspondence. The recommendations below require action by the selectmen, but are included here because they directly impact the administrative assistant.

**Stop Recording Selectmen's Minutes Manually.** The administrative assistant to the selectmen has been directed to write meeting minutes in detail and in long-hand as discussion occurs. Later, she types the minutes into a Word document, prints a copy and places it in a binder. She then must hand write the minutes once again into a bound, hard cover journal.

Taking notes during meetings is common place as is transcribing them into a Word document, which makes them easy to access, search and back-up. Some people also electronically record meeting minutes for reference when preparing final versions. However, the spirit of the open meeting law does not require documenting every word that is spoken. While quaint and perhaps connected to tradition, maintaining an additional detailed hand-written, hard bound copy of selectmen's minutes is an inefficient, unnecessary use of the administrative assistant's limited time in town hall.

**Centralize Mail Distribution.** It is hard to find a good reason for each town department, with exception of the collector, having its own post office box at a cost of \$50-\$100 per year. It is our understanding that this practice continues because some like the convenience of picking-up mail on their way home. It has also been suggested that multiple, independently secure post office boxes exist because people just do not trust each other.

All mail is an official town document and a public record. Some pieces are of significant importance. It is bad policy to allow these records to leave town hall. Even if this were not the case, there should be one post office box for all town departments. As a workable solution, the selectmen's assistant could be charged with collecting the mail and setting it aside in a wall-grid of open ended mail boxes for pick-up by department personnel. This system also provides a means to circulate other inter-office mail or notices to all departments. The selectmen should take the lead to secure cooperation of all departments to centralize mail distribution.

The exception is the collector who receives payments due the town. Open access to the collector's mail raises the risk that persons not bonded would be handling town money.

## Board of Selectmen

If the selectmen choose not to pursue and engage a part-time town administrator, they have to take a stronger leadership position in town government. This starts with recognizing that problems exist. However, this does not mean they should be more involved in the day-to-day administration of town business. They need to find ways to agree and then act decisively relative to general guiding policies, and in areas where they have jurisdiction. On other matters they should work to build consensus to achieve uniform agreement on town-wide goals, employee performance and standard procedures. The recommendations at the beginning of this report reflect issues of greatest significance. Listed below are others.

**Implement Performance Reviews.** We recommend that the selectmen take action to develop a performance evaluation process for department heads and staff under their jurisdiction. It should be conceived as a model that all other boards, committees and officials would be encouraged to adopt for those they manage. A well thought-out annual performance evaluation review program should include guidelines that identify step-by-step procedures for reviewing an employee's work responsibilities, previously established goals and job expectations for the upcoming year. If implemented in a methodical, even-handed way, regular job performance evaluations encourage communication, elevate employee morale and build public confidence in government. At the same time, an evaluation program works best when 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 should evolve into a collaborative effort that leads to improved job performance, enhanced government operations and a better work place environment

**Shift Collection of Water Bills from Water Department to Collector.** Important and fundamental checks and balances are missing when the water department collects water consumption information, converts the data to user charges, creates bills for residents and then collects and posts payments to resident accounts. Instead, the water department should go so far as to create and send bills, but the collector's office should take-in payments after receiving a commitment from the water department. Once the water receipts are accounted for (recorded on spreadsheets) and deposited, hardcopy bills can be returned to the water department so that payments can be posted to resident accounts in the billing software. Or, a copy of the water billing software can be provided to the collector, who would complete the posting. The information can be returned to the water department so its records would be up-to date.

To implement this change, town meeting needs to accept, through a vote, M.G.L. c. 41, s. 38A which converts the tax collector to a town collector.

**Improve the Town Website.** Without a person assigned to the task, it is difficult to keep municipal websites fresh with up-to-date information. In some instances, staff do not know how or who to contact to have information, like minutes, posted. However, it is worth pursuing. A

comprehensive and up-to-date website helps to generate public awareness and confidence in government. Particularly in a town with a part-time government, a good website can serve an important public service by giving people access to information when town hall hours are not convenient for them.

We suggest the selectmen engage the services of a webmaster or solicit volunteer help to review the Blandford website. Interviews might be conducted with town department heads to determine what information or data, additional forms and documents might be published that residents might need and that require no updating. Much of this information is already on the Documents and Forms page. If no further web development is likely to occur, the “more information coming soon” message should be removed from many department pages. Ideas on information to publish might also be gathered from a survey of other towns’ sites.

**Reconcile Town Payments for Water Consumption and Indirect Costs.** It is our understanding that the water department refused to submit its FY2011 appropriation requests to the finance committee and forced a June special town meeting to approve its budget. In dispute was whether the water department budget should include indirect costs, which reimburse the town for the value of work performed by town personnel on enterprise business. It is unheard of, in our experience, that one department is allowed to subvert the annual budget. If a department fails to submit an appropriation request, the finance committee should insert numbers for it.

On the matter of indirect costs, the customary practice among municipalities is founded in an informal understanding. If the water department charges the town for its water usage, the town will usually seek compensation for indirect costs. If the town receives no water bill, then the enterprise is not asked to pay indirect costs. The generally accepted method for assessing indirect costs involves the town accountant surveying town employees to determine what percentage of their time is devoted to enterprise business. Each employee’s percentage is applied to his or her compensation and benefits. Individual totals are then added together and budgeted as a cost to the enterprise fund.

**Tighten Procurement Compliance.** In its management letter following the FY2009 audit, the independent auditor cited as a material weakness the laxness with which the town followed state procurement rules. Absent a purchase order system, where purchases are approved in advance, the selectmen and other boards that oversee departments must hold managers accountable for compliance with M.G.L. c.30B. Specifically they must know that purposes under \$5,000 can move forward on the basis of sound business judgment. Any purchase between \$5,000 and \$24,999 requires evidence of three quotes. Those above \$25,000 must follow either the bid or RFP (request for proposals) process.

**Survey Use of Town’s FID Number.** We recommend that the selectmen ask the town’s independent auditor to request a list of all accounts using the town’s FID number from local banks and those with whom the town does business. If any unauthorized or fraudulent use is detected, the selectmen with the assistance of town counsel should send a notice to the organization using the FID number that it is no longer available to them.

## Appendix

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Statutory responsibilities of the Accountant

Statutory responsibilities of the Treasurer

Statutory responsibilities of the Collector

## Accountant

Below is a summary of the duties of the town accountant as excerpted from the Accountant/Auditor Manual, published by the Massachusetts Department of Revenue:

Verify that any expense payment is lawful, justified and that funding exists under the appropriate budget line item (MGL Ch. 41, Section 52)

Maintain municipal books including a general journal, general ledger and subsidiary ledgers (MGL Ch. 41, Section 57)

Maintain detailed records of all debt (MGL Ch. 41, Section 57)

Retain custody of all contracts and surety bonds (MGL Ch. 41, Section 57)

At the close of the fiscal year, receive from each department, board or committee a list of bills remaining unpaid (MGL Ch. 41, Section 58)

Certify, in advance, the availability of an appropriation for any construction contract in excess of \$2,000 (MGL Ch. 44, Section 31C)

Certify to the assessor's expenditures, approved in advance, in excess of appropriations for the removal of snow and ice (MGL Ch. 44, Section 31D)

Prepare a monthly statement for officers or department heads showing the total appropriations, expenditures and the balance in each appropriation.

Notify the selectmen when it appears that an appropriation has been expended or is likely to be overdrawn (MGL Ch. 41, Section 58)

Furnish the assessors with a written report detailing money received for the preceding fiscal year from sources other than taxes, loans and trust funds (MGL Ch. 41, Section 54A)

Notify the assessor, in writing, by May 1, of the amount of debt falling due in the next fiscal year and of provisions made to meet these requirements (MGL Ch. 44, Section 16)

Immediately upon the close of the calendar year, prepare statements detailing the preceding year's appropriations and expenditures; appropriations for the current fiscal year; expenditures incurred during the first six months; estimates for expenditures for the second six months and estimates for the ensuing fiscal year (MGL Ch. 41, Section 60)

Make an annual report stating receipts and expenditures for the past fiscal year from all funds; showing the appropriation, the expenditure and purpose; stating any change in town debt, list of indebtedness incurred and unpaid at the end of the fiscal year (MGL Ch. 41, Section 61)

Prepare and furnish to the Director of Accounts, Department of Revenue, 1) a "Schedule A", 2) a statement of public debt, and 3) a "Balance Sheet" (MGL Ch. 44, Section 43)

## Treasurer

Below is a summary of the duties of the town treasurer as extracted from the *Treasurers' Manual*, published by The Massachusetts Collector and Treasurer's Association in collaboration with the Division of Local Services and others.

Receives, takes charge of and accounts for all monies belonging to the town; receives and identifies monies due the town and reports the same to the accountant (MGL Ch. 41, Section 35)

Maintains a cash book; provides for adequate funds for current obligations (through issuance of long-term or short-term debt); invests the towns funds (MGL Ch. 44, Sections 55, 55A)

Upon authorization of the selectmen or accountant, pay out public money (MGL Ch. 41, Sections 52, 56)

Pays over and accounts for salaries and wages, including payroll and personnel deductions (MGL Ch. 41, Section 41); maintains payroll and personnel records (MGL Ch. 149, Section 178B; MGL Ch. 175, Section 138A); when so appointed, administers unemployment compensation programs (MGL Ch. 40, Section 5E); assures compliance with labor and industry, retirement and insurance laws; monitors compliance with personnel by-laws, union contracts and civil service regulations (MGL Ch. 41, Section 35)

With selectmen approval, negotiates all borrowing, prepares necessary documents and notes and reports the same to the Director of Accounts (MGL Ch. 44, Section 23, 24, 28)

Report to the town accountant, or if none, to the advisory committee, the amount of debt and interest due in the next fiscal year when budgets are submitted (MGL Ch. 41 sec. 59)

Maintain custody of stabilization funds, pension reserve funds, trust funds, investments, and other funds not allocated to other agencies (MGL Ch. 40 sec. 5B, 5D; MGL Ch. 41 sec. 46; MGL Ch. 44 sec. 53)

Maintain custody of town's financial documents including insurance policies, fidelity bonds, deeds, etc. (MGL Ch. 41 sec. 57, MGL Ch. 44 sec. 54)

Maintain tax title accounts; conduct sales of land; prepare documents to petition for foreclosure (MGL Ch. 60 sec. 50, 61, 62, 63, 76, 77, 79, 80)

Prepare reports including reconciliation of treasurer's cash, weekly or monthly report of receipts and balances to the accountant, reports of payroll deductions; an annual report; and reports to the Director of Accounts including a quarterly report of reconciliation of treasurer's cash, and an annual report of cash management achievements.

Close and reconcile all books and accounts including cash book, warrants, bank accounts, insurance programs, retirement funds, debt records and tax title accounts.

## Collector

Below is a summary of the duties of the tax collector and town collector as excerpted from the Collector's Manual, prepared by the Massachusetts Department of Revenue and the Massachusetts Collector's and Treasurer's Association (March 1997).

As tax collector, possess authority to collect only real and personal property taxes, excises, betterments, and certain other charges added to and committed as taxes. (MGL Ch. 60 sec. 1, 2)

As town collector, under a local acceptance statute (MGL Ch. 41 sec. 38A), has expanded authority to receive and collect all monies or accounts due a municipality.

*Responsibilities enumerated below apply to both town and tax collectors:*

Furnish a fidelity bond with a surety (guarantee against default) payable to the city, town or district for the collector and appropriate staff. (MGL Ch. 60 sec. 13)

Verify that commitments received are duly and properly signed.

Prior to mailing, conduct visual spot check of printed bills to ensure completeness and accuracy of information (MGL Ch. 60 sec. 3, 3A), and compliance with DOR prescribed form (MGL Ch. 60 sec. 105). Verify that total amount due summed from printed bills matches the total on the signed commitment.

Submit to the city or town clerk (and retain a copy) an "Affidavit as to Time of Sending Tax Bills" (State Tax Form 214). Execute a separate affidavit for each property tax or excise mailing. (MGL Ch. 60 sec. 3)

Establish procedures for the daily collection, posting and deposit of money collected. Maintain a manual or electronic tax commitment list showing status of taxpayer account. (MGL Ch. 60 sec. 6).

At least once per week, pay over to the treasurer a detailed report of all money received in the collector's office. (MGL Ch. 60 sec. 2).

Maintain a tax receivable control, or cash book, (MGL Ch. 60 sec. 7) which records, by month, outstanding taxes due at the start of the period, with downward adjustments for collections, abatements, and exemptions, and upward adjustments for refunds. Reconcile the end-of-month daily deposits and turnovers to treasurer (MGL Ch. 60 sec. 2) and reconcile outstanding balance with accountant's records.

Establish a procedure for sending tax demands (MGL Ch. 60 sec. 16) and initiating tax takings. (MGL Ch. 60 sec. 53, 54).

When engaging the services of a deputy collector, ensure compliance with DOR regulations (IGR 90-219)

Establish procedures to report bounced checks to accountant, generating municipal lien certificates (MGL Ch. 60 sec. 23). Establish procedures to run regular credit reports, research potential refund payments and create a refund schedule for the accountant.



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## Acknowledgements

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