



Town of Brookfield

# Financial Management Review

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Division of Local Services / Technical Assistance Section

June 2011



June 20, 2011

Board of Selectmen  
Town Hall  
6 Central Street  
Brookfield, MA 01506

Dear Board Members:

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

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,

A handwritten signature in black ink that reads "Robert G. Nunes".

Robert G. Nunes  
Deputy Commissioner and  
Director of Municipal Affairs

RGN:mjo  
Enclosure

cc: Senator Stephen M. Brewer  
Representative Anne M. Gobi

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## INTRODUCTION

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

We have based our findings and recommendations on a site visit and telephone conversations by Municipal Data Management & Technical Assistance Bureau (MDM/TAB) members and consultations with the Bureau of Accounts (BOA) and Bureau of Local Assessment (BLA). The staff interviewed the selectmen, an advisory committee member, assessors, the administrative assistant, town accountant, treasurer, collector, town clerk and other municipal office staff.

DLS staff examined such documents as the tax rate recapitulation sheet, annual budgets, cash and receivables reconciliation reports, and statements of indebtedness. The town also provided us with warrants, debt schedules, town by-laws and other assorted financial documents.

The purpose of this review is to assist Brookfield 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.

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## EXECUTIVE SUMMARY

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Brookfield is a small town located just west of Worcester at the intersection of state Routes 9 and 148. It occupies land area of about 15.5 square miles and has a population of 3,390 (2010 US Census) persons. Brookfield began as an agricultural community when it originally was settled in 1660 as a part of the Quaboag Plantation lands. When it was incorporated in 1673, Brookfield was a larger community from which three other town—North Brookfield (1812), West Brookfield (1848) and East Brookfield (1920)—were formed.

Brookfield is a predominantly residential community with a small number of business establishments. The town has a fair amount of land that is open and undeveloped. There are 42 parcels that qualify for the preferential taxation for classified forest, farm and recreational land<sup>1</sup>, which comprise almost two square miles, and another 300 vacant parcels of which about three-quarters are potentially developable. In addition, roughly 3.6 square miles of the community is state-owned wildlife management and watershed properties and 0.87 square miles of land is possessed by the non-profit organization the Massachusetts Audubon Society.

Since 2000, single-family residential development in the town has grown from 733 (FY2000) to 906 (FY2011) parcels, an increase of 173 or 23.6 percent. As a result, the town's population grew from 3,051 (2000 US Census) persons to 3,390 (2010 US Census) persons, an increase of 339 people or 11.1 percent.

Brookfield has its own K-6 school and is part of a 7-12 regional school district, both of which are overseen by one superintendent. There is a library, a volunteer fire department and on-call emergency medical squad. With the exception of a handful of town employees, most officials and staff are part-time.

To support these and other services, since 2000, Brookfield's budget has increased from \$5.4 million (FY2000) to \$7.6 million (FY2011). This is an increase of nearly \$2.2 million or about 40 percent, which is lower than the average statewide increase in municipal budgets of about 54 percent. The town's largest area of expenditure is education costs, which total over \$4 million, or 52.5 percent, of FY2010 general fund expenditures. The two fastest growing spending categories are fixed costs (i.e., retirement, insurances, employee benefits and Medicare) and public works, which includes highways, snow and ice, street lights, solid waste net of capital outlay, construction and water department costs. Brookfield's year-end Schedule A report shows that fixed costs have increased from \$235,824 (FY2000) to \$585,277 (FY2010) or an increase of 148 percent while public works expenditures have increased from \$167,265 to \$413,436 or a 147 percent increase.

As a small community, Brookfield has limited resources to fund its operating budget as well as to address large or unanticipated costs. With the downturn in the economy and the resulting impact on FY2009 state resources and local revenues, Brookfield was faced with the challenge of providing services with a shrinking number of dollars. In response, town departments, officials and the

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<sup>1</sup> The treatment of classified lands is found in M.G.L. c. 61 forestry, c. 61A agriculture/horticulture, and c. 61B recreation.

elementary school committee worked together to pare expenses. Brookfield reduced energy costs by closing town hall on Fridays and weeknights except Wednesdays and deferred spending where possible. The schools also used school choice tuition funds for capital items and to reduce the town's assessment.

Equally challenging for the community is addressing its capital needs. Some years ago, the town developed an extensive list that over the years it has partially whittled down. With Proposition 2½ debt exclusion funding, a new regional high school was constructed, the local elementary school was expanded, and a new highway barn was built. Having freed up the old highway facility and with a massive volunteer effort, the fire department was relocated to this space and the rescue squad took over the old fire station. The town hall roof was repaired with the aid of a Massachusetts Historic grant and water infrastructure and road improvements were done with Community Development Block Grant (CDBG) program funding. The community also financed smaller improvements and the acquisition of vehicles through borrowings plus funding from specialized stabilization funds (i.e., property improvement, fleet, highway equipment and fire equipment).

The town has managed to keep the annual debt service payable just below 10 percent of the annual budget, which falls within the seven to twelve percent range often adopted as a sound financial management policy by other Massachusetts communities. In FY2011, Brookfield's debt obligation dropped to \$422,000 or 5.5 percent of the budget after it received a large sum reimbursement from the Massachusetts School Building Authority, which it used to pay off the bond four years early, saving an estimated \$125,000 in interest costs.

Cognizant of limited resources and the growing competition between service demands and capital needs, town officials initiated a review of town operations. Working with the advisory committee, budgets were closely scrutinized to minimize waste. The town joined a regional purchasing group for supplies. The selectmen also reviewed the audit management letter for areas of improvement. Key among them is the need to capture uncollected taxes and excise.

The auditor, Scanlon & Associates CPA, recommended that the town adopt an aggressive tax collection policy. As of the end of FY2009, Brookfield had over \$444,000 in real estate receivables that dated back to FY2002 and, if not acted on, the town was at risk of losing a secured interest in a property in the event of a sale or bankruptcy. Compounding this situation was over \$289,000 in tax title for which foreclosure proceedings had not been initiated. Failure to act on the delinquent accounts allowed uncollected amounts to grow and contributed to reduced free cash certifications. Working with the collector and treasurer, the selectmen adopted a policy and established a timetable to begin to address the volume of outstanding receivables. The board also hired a consultant to assist the town in pursuing collections and begin placing new properties in tax title. Through these combined efforts, payments on delinquent properties improved, an initial group of 34 properties was placed into tax title, and foreclosure proceedings have been initiated.

Unfortunately, the town encountered a setback in its efforts. At the beginning of November, the tax collector went out on an extended medical leave. With only a four-hour clerk to assist her, the tax collector's operations were impacted. The clerk, who is shared with the treasurer, spent most of her

time processing the collector's work in the department head's absence. The clerk had to transport documents to the collector's home for her signature because no one was authorized to act in her absence. The clerk continued to take in departmental receipts and deposit funds for the treasurer, but the monthly reports and cash reconciliations were suspended. By the time the collector returned to duty the third week of December, her receivable reconciliations were a month and a half behind and the treasurer's cash reconciliations were over four months in arrears.

Equally concerning in the town's latest management letter are two material weaknesses regarding the water department segregation of duties and the reconciliation of cash to the general ledger. "A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the town's internal control."

In the first instance, the auditor is referring to the fact that a clerk is involved in reading meters (when a final reading is required), entering billing data and collecting payments. The lack of segregation of duties increases the risk of errors and irregularities going undetected. To prevent this from happening, the commitment and collection responsibilities should be separated. In the latter finding, the auditor refers to a problem that has persisted since FY2006. While receipts and disbursements are reconciled between the treasurer's and accountant's records, their ending cash balances are not. Part of the variance is due to checks that had been voided but never removed from the treasurer's outstanding check list. In addition, about a dozen returned or unclaimed checks, commonly referred to as tailings, were never claimed after advertisement so they were closed to the general fund, but again they were never removed from the treasurer's outstanding check list. Consequently, the voided checks and tailing amounts continue to appear on the monthly vendor checking account bank statement year after year.

To help evaluate town operations and explore other improvements, the selectmen requested that the Division of Local Services (DLS) conduct a review of the town's financial offices. The recommendations in this report are based on sound management practices that comply with state laws and regulations. They are designed to further improve communication and establish fiscal planning and coordination. Chief among these recommendations is combining and appointing the collector and treasurer's positions and creating a comprehensive cash book. We also recommend that the town expand its review of the town by-laws and the content on the website, make changes in personnel practices, and consider on-line and lock box collection services. Through the cooperation of town officials, Brookfield will be able to implement our recommendations to enhance the town's overall financial management and to address specific issues in particular departments.

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## OVERALL MANAGEMENT AND FINANCIAL PRACTICES

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During the course of our review, we looked at the town's overall management, including its governmental structure, by-laws, budget and fiscal practices, personnel functions, as well as financial department operations. What follows is a summary of our observations and recommendations.

### GOVERNMENT STRUCTURE AND BY-LAWS

Brookfield does not have a charter. It has a selectmen-town meeting form of government that is organized under a combination of state statutes, special acts, and local by-laws. State statutes generally provide allowable methods of governance and often offer guidance on minimum requirements, while special acts and by-laws enable a community to establish specific authority and procedures by which it operates.

The three-member board of selectmen is the chief executive office. Because they are a part-time board, the selectmen have a full-time administrative assistant. She is available during regular town hall business hours, Monday through Thursday and works from home on Fridays.

The administrative assistant prepares the selectmen's meeting agenda, minutes, correspondence, and the town's annual report. She responds to public inquiries, manages board appointment data; maintains confidential information; researches and compiles information to keep the board informed on current and long-term projects; and makes recommendations to the board concerning policies and procedures. She supervises the custodian and selectmen's clerk and serves as liaison with elected and appointed officials. She prepares the selectmen's annual departmental request, coordinates the development of contracts, and monitors departmental spending under the oversight of the selectmen. The administrative assistant also pursues grant programs, oversees property and fleet insurances, serves as chief procurement officer, and participates in small town administrator meetings.

When we began our review of the town, we were provided with a copy of the town's by-laws (as of 2006). While the zoning was current, we found the general by-laws were not. The selectmen reactivated a town by-law committee to review the latest document to bring it up to date, incorporate actions taken by town meeting in recent years and recommend changes. Based on town meeting records and correspondence from the State Attorney General's Office, the committee has brought the by-laws up-to-date through the beginning of October 2010.

In reviewing the content of Brookfield's by-laws, we found that they are sparse, contained dated information and not all inclusive. For example, the town accountant's position is mentioned as an ex-officio member of the capital improvement planning committee and one of the parties to whom payroll changes must be submitted. A couple of the town accountant's responsibilities, the preparation of revenue and expenditure reports and the party to whom departments submit outstanding bills at the close of the fiscal year, are assigned to the treasurer. These by-laws are reflective of an old governmental structure from the early 1900s in which the treasurer also served as the accounting officer. When these functions were separated, the treasurer remained as the custodian of the town's



resources while the accountant was assigned the responsibility of keeping the financial books, creating a system of checks and balances designed to safeguard the community's assets. However, the by-laws were not updated to recognize this substantive change.

In another example, a few town boards/officials and their basic duties, membership and terms are included in the by-laws while others are not. For example, the advisory committee, council on aging commission, agricultural commission and personnel board by-laws provide detail and guidance on the membership, organization and purpose of these bodies. These same basic details about other standing boards (e.g., conservation commission, planning board and water commission) are not provided and the only mention of the boards is with regards to specific regulatory roles in town. As for the town's financial team—the accountant, treasurer, tax collector and assessors—who discuss issues and provide essential data during the annual budget process, there is no recognition of this group.

#### RECOMMENDATION 1: COMBINE AND APPOINT THE COLLECTOR AND TREASURER POSITIONS

We recommend that the collector and treasurer positions be combined and appointed. Because there are so many parallels in the responsibilities (e.g., collecting, counting, posting, depositing, and reconciling receipts) of these offices, increasingly communities are combining the collector's and treasurer's operations to improve cash management and to gain efficiencies. As an appointed position, the town can also establish minimum qualifications for the job and select the applicant that best suits the demands of the office. For Brookfield, this consolidation of responsibilities and staff could be accomplished through a special act of the legislature or the adoption of a charter.

This recommendation reflects our opinion that consolidating these offices would provide better coverage based on service demand (i.e., payroll, employee benefits, quarterly property tax and other collections) in the event staff is out for a brief or extended period. Given the time sensitive responsibilities of these offices and the fact that the collector is essentially a one person department, the town realistically needs to look at the existing structures and put in place the best operating model. For Brookfield, we would recommend the appointment of a collector/treasurer and an assistant, who is knowledgeable, trained and bonded to oversee the office for a brief or extended period. All staff in the office should be cross-trained to further ensure functions are performed timely and consistently.

#### RECOMMENDATION 2: EXPAND THE REVIEW OF THE BY-LAWS

We recommend that the town update its by-laws to properly assign accounting responsibilities to the town accountant. In section 2 of Chapters V and VIII, the by-laws mistakenly assign accountant's duties to the treasurer. The by-law committee should revise these by-laws to correctly identify the town accountant instead of the treasurer.

We recommend that the town expand the role of the financial management team and codify it through the adoption of a by-law. Chaired by the accountant, the financial management team should

include at least the collector, treasurer, an assessor and a representative from the Tantasqua/Union 61 School District. This group should meet at least quarterly or more frequently as issues require.

Financial team meetings are a useful forum for reviewing responsibilities and deadlines related to town meetings, the annual budget, the Schedule A, the Tax Recapitulation Sheet and Free Cash certification. They are an occasion to analyze financial problems, spur creative thinking as well as develop and incubate new ideas. Meetings present opportunities to identify critical junctures for the town and to formulate strategies to avert potential fiscal problems. The group can be a sounding board for proposed procedures or policies. The team's participation in general financial and budget activities helps ensure that more than one person knows all facets that need to be gathered, analyzed, and monitored continually and provides institutional continuity if someone leaves town service.

In addition, meetings enhance lines of communication ensuring that all involved receive the same message or new information at the same time. They provide a forum to raise and resolve interdepartmental issues. The financial management team is not intended, however, to function as a policy making body, nor as one that would encroach on the duties or decision making responsibilities of the selectmen or advisory committee.

We recommend that Brookfield consider revising its by-laws to include the codification of all officials, boards, committees and departments. A strong set of by-laws establishes a formal framework of codes, polices, and procedures under which town government operates. These by-laws should identify and describe the membership, terms, role and responsibilities of appointed and elected officials, departments, and committees. When a community has a charter, it is complemented by a series of by-laws that fill in the details and are revised as circumstances warrant. If however, a community does not have a charter, the by-laws should be better developed, more comprehensive and informative than they currently are in Brookfield.

## BUDGET AND FINANCIAL PRACTICES

Consistent with M.G.L. c. 39, §16, Brookfield has an advisory committee (Chapter IV of the town by-laws). The nine-member advisory committee is a part-time board appointed by the selectmen. The committee is responsible for reviewing and making recommendations on all town meeting articles forwarded by the selectmen. Elected or appointed town officers or employees may serve on the board, but they must abstain from voting on articles affecting their departments. While the advisory committee by-law does not explicitly provide for it, this committee had historically taken on the task of developing the annual budget. However, the budget process has changed to involve the selectmen, with the accountant providing centralized coordination of the process.

The annual budget process begins in December when the selectmen and advisory committee measure revenues to-date with preliminary projections developed earlier by the accountant with input from other financial officers. Based on this information, the selectmen issue a budget cover memo, forms and instructions to all departments preparing a budget request. For departments under the

selectmen's oversight, these budgets are coordinated by the administrative assistant and approved by the selectmen before submission to the advisory committee. Requests from elected officers, the regional and local school department budgets, and other warrant articles are forwarded directly to the advisory committee. The selectmen and advisory committee then proceed to review all submissions, run parallel budget hearings and develop recommendations that are shared between the boards. Prior to town meeting, the two boards meet to develop a consensus budget proposal for town meeting. The resulting detailed budget and warrant article recommendations are prepared and distributed to the residents.

Since 2010, the accountant has been responsible for coordinating the budget process and maintaining the central official records and spreadsheet. The spreadsheet contains the prior year's actual expenditure information, the year-to-date figures, and departments' requests. There are columns for the selectmen's and advisory committee's recommendations and comments. The accountant shares updated revenue and other information as it becomes available with both boards.

Within the town budget, there is a water department. This department provides water service to about 500 accounts; all other properties have their own wells. The revenues and expenditures for the water service are accounted for in a special revenue fund (M.G.L. c. 41, §69B). The annual appropriation for the service covers salary, expenses and capital costs. This operation is funded through user fees. Any surplus (or deficit) that is attributable to the operation closes to the water fund and is determined through an analysis by the accountant, which may only be used for water-related purposes.

Budget planning is done on a one-year basis. There is no multi-year forecasting of town revenues and expenditures. While the selectmen have adopted a number of policies and procedures (e.g., employees' rights, payroll, business practices and delinquent taxes), there are no financial policies. Reportedly, it is a past practice that free cash generally is spent on capital items or put into the established stabilization funds, which are usually for future capital needs. However, this practice is not found in any formal policy.

Due to a growing list of capital needs, the town reactivated its capital planning improvement committee (CIPC) in the fall of 2010. Appointed by the selectmen annually, this eight-member committee is established through a by-law. The membership is comprised of a selectman, an advisory committee member, a planning board member, a school committee representative, the treasurer, and three residents holding no appointed or elected office in town.

The committee prepared forms for departments to propose capital acquisitions and construction projects. The committee is compiling an inventory of capital and construction needs that cost more than \$10,000 and have a useful life of at least five years. Among these are: school window and roof repairs; the construction of a police station; town hall repairs and/or renovation; additional space for the library; computer hardware, software and networking; and vehicle replacements. The CIPC is reviewing and evaluating requests and plans on preparing a FY2012 capital budget for selectmen's approval prior to being submitted to special town meeting in the fall.

Between FY2002-FY2009, annual audits were completed by Scanlon & Associates CPA, complying with the town's by-law (Chapter V, Section 1) that requires one be performed at least once every three years. Due to budgetary constraints, there was no FY2010 audit engagement. However, with the change in the tax collector's position, the town has hired its auditor to audit all receivable amounts (M.G.L. c. 60, §97) to be returned to the assessors, who will recommit them to the new collector. The selectmen also will be requesting funding for a FY2011 audit.

Complying with Governmental Accounting Standards Board (GASB) Statement 34, the town inventoried and valued its fixed assets and infrastructure. This information is updated annually, reflecting new purchases, dispositions and depreciation. As for determining the town's other post employment benefits (OPEB) potential liability and complying with GASB Statement 45, Brookfield falls short. As a tier three community, the implementation date for Brookfield was June 30, 2010.

### RECOMMENDATION 3: RE-ADVERTISE FOR AUDITING SERVICES PERIODICALLY

We recommend that the town re-advertise for auditing services every five to eight years. As a routine practice, we comment on the number of years that a municipality might contract with or rely on the same auditor. The Government Finance Officers Association (GFOA) recommends that communities enter into multi-year agreements with auditors, 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. Contracting with a new audit firm can not only bring a fresh perspective, but reflects good practice. GFOA also acknowledges circumstances or locations where there is a lack of competition among fully qualified auditors. In such cases, the continued participation of the then current auditor is acceptable, assuming their past performance has been satisfactory and has conformed to industry standards.

In the case of Brookfield, we suggest that the town continue with its current auditor for at least the FY2011 engagement or until such time that the treasurer's and accountant's cash is reconciled. The auditor should review the adjustments to cash that were made as a result of the FY2005 audit to help the new treasurer clear these from her outstanding check list. The auditor also would provide guidance on how best to manage the cash book for all accounts and the importance of reconciling monthly balances internally against the bank statements and then externally with the accountant. It should be noted that even with the FY2005 audit adjustments, there will still be a cash variance between the treasurer's and accountant's records that appear to be related to historical posting discrepancies. To the best of their abilities, the treasurer and accountant will have to research possible errors or provide evidence the variance has been consistent and may require a subsequent audit adjustment to bring these offices into balance once and for all.

#### RECOMMENDATION 4: CREATE COMPREHENSIVE CAPITAL PLAN

We recommend that the capital improvement planning committee (CIPC) create a comprehensive capital plan and submit an annual capital budget to town meeting. As a recently reconstituted committee, the CIPC is still in the early stages of reviewing submissions and will propose a FY2012 capital budget for the school and town departments in the fall of 2011.

The product of the committee's work should: (1) prioritize the various proposed capital projects and purchases based on objective criteria; (2) estimate costs; and (3) list the proposed method of payment (e.g., direct dollar outlay, debt, or Proposition 2½ debt or capital exclusion) as well as the funding source for each proposal. Regardless of funding ability, annual presentation of a capital budget to town meeting has merit. It serves to inform citizens of the community's capital needs and makes them aware of those essential requests that may be deferred due to financial constraints. DOR has developed and made available on its website a capital improvement program planning manual (see Publications and Other Useful Links under Financial Management Assistance at [www.mass.gov/dls](http://www.mass.gov/dls)) to help municipalities.

#### RECOMMENDATION 5: DEVELOP A MULTI-YEAR FORECAST

We recommend that the accountant, as the budget coordinator, develop a multi-year revenue and expenditure forecast. The accountant, with input from the financial team, should prepare the forecast, updating it as new information becomes available. Forecasting used in conjunction with the town's capital plan will enable officials to evaluate multi-year impacts of budget requests. It would help identify programs that may not be funded, highlight capital requests that will be deferred, and assist in the development of long-range financial plans.

#### RECOMMENDATION 6: ADOPT FORMAL FINANCIAL PRACTICES

We recommend that the town adopt formal financial policies. In the last few years, town officials have begun to establish policies as issues arise. New operating procedures have been implemented and other historical practices have evolved that should be formally documented for reference and future guidance. The Government Finance Officers Association recommends that, at a minimum, municipalities adopt fiscal planning, revenue, and expenditure policies. These should be developed by the selectmen, with input from the financial officers, and adopted by the town's policymakers, including the advisory committee and capital improvement planning committee.

1. Fiscal Planning Policies – These policies should guide budget development and long-term planning.
  - Budget Process – This policy should identify the participants' roles and responsibilities, the budget process and timeframe/calendar of events, and provide for the disclosure of unique fiscal issues in the budget message.

- 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 and capital outlay planning.
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. As a part of the budget process, these fees and charges should be reviewed every couple years 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 will help fiscal stability.
    - Debt Capacity, Issuance, and Management – This policy should specify appropriate uses for debt, role of a financial advisor, the 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 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 unforeseen one-time expenditures, and identify extenuating circumstances where reserves may be used.

We encourage the town to seek guidance or sample products from other communities. Town officials should review each policy received to determine what would work best for them.

## RECOMMENDATION 7: COMPLY WITH GASB STATEMENT 45

We recommend the town formulate a policy in response to the other post-employment benefits (OPEB) liability. The OPEB unfunded liability is the cost assigned to benefits other than pensions already earned by public employees and to be distributed upon retirement. Post-employment benefits other than pensions generally take the form of health insurance and dental, vision, prescription, life insurance or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. While there is no requirement to fund the OPEB liability thus far, the Governmental Accounting Standards Board (GASB) Statement 45 requires that the dollar value of the unfunded OPEB liability be determined every three years for governments with fewer than 200 participants.

For towns, like Brookfield, with less than 100 total members<sup>2</sup>, GASB permits a simplified alternative measurement method based on tables and procedures designed to estimate the liability and contributions without the assistance of actuaries. This alternative method includes the same broad

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<sup>2</sup> These include active employees, terminated employees who have accumulated benefits but are not receiving them, and retirees and beneficiaries currently receiving benefits.

measurement steps as an actuarial valuation<sup>3</sup>. However, it permits simplification of certain assumptions to make the method usable by non-actuaries, and thus allow the town to avoid the cost of an actuarial valuation.

For additional information regarding OPEB, and steps to reduce the size of the liability, see resources available on the Department of Revenue, Division of Local Services website under [Sound Financial Management Practices](#).

## PERSONNEL PROCEDURES AND POLICIES

All town and school employees are paid biweekly. The work week for town and school employees ends on Thursday and completed time sheets are submitted to the treasurer's office by Monday. Using Harpers Payroll Services, the treasurer's staff enters information on an exception basis, which is then reviewed by the accountant. The accountant's review process is a safeguard for the community, preventing the payment of illegal or inaccurate amounts. About 38 percent of the town and school employees have direct deposit and the rest receive paper checks, which are distributed the following Wednesday. While Harpers provides the option to display available personal leave (e.g., vacation, personal and sick) balances on the employee payroll statement/stub, it is not used. Instead, the balances are kept manually by the treasurer's office and are reconciled with each department's records periodically during the year.

The town has a personnel by-law (Article XV) that applies to all employees who are not elected, covered by union contracts, or under the oversight of the school committee. An appointed five-member personnel board implements and enforces the by-law. It is responsible for establishing and updating job descriptions and salary/wage plans, proposing amendments to town meeting and it participates in the town's grievance procedure. Personnel records for all employees are kept in the treasurer's office.

The personnel board creates and maintains written job descriptions, which define job responsibilities and distinguishing features. While the board may review a job description at anytime, this generally is done only when a position is vacated or if a request for an upgrade is received. Consequently, some job descriptions have not been reviewed in years and have not been reviewed to ensure they are consistent with the current duties and skill requirements.

Brookfield's personnel by-law contains a classification plan for all positions covered as well as a grade and wage schedule, which has minimum and maximum steps for each position. It groups employees into four categories: full-time, greater than 20 hours part-time, less than 20 hours part-time and temporary/seasonal. The bylaw identifies the health and life insurance benefits and personal leave (e.g., holidays, vacation, sick, military and bereavement) for eligible employees. All leave awarded must be used in the year granted or it is lost except for sick time for full-time employees, who may accumulate a maximum of 60 days.

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<sup>3</sup> Projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method would be included in the alternative analysis.

Section 13 of the personnel by-law states that, “In accordance with Chapter 32B of Mass. General Laws, all employees working a minimum of twenty (20) hours per week and all employees elected by popular vote are eligible for health and life insurance.” The inclusion of employees elected by popular vote in the by-law appears to contradict the town’s historical practice in which the selectmen may determine whether any elected officials work the required minimum regular hours (M.G.L. c. 32, §2(a) and §2(d)).

The town covers 60 percent of health insurance costs and it has an insurance advisory committee that periodically discusses health insurance options for employees and makes recommendations to the selectmen. In October 2002, Brookfield Town Meeting accepted section 18 of M.G.L. c. 32B that requires retired employees and their spouses, who are eligible for Medicare, to join at age 65.

Brookfield does not have consolidated reference materials or an employee handbook for existing or new employees. Payroll, withholding and benefit paperwork is handled by the treasurer’s office. The selectmen also have a series of policies and procedures (e.g., sexual harassment, employee progressive discipline, alcohol and drugs, and compensatory time) that are only found in their office. Unless generally made available, new and existing employees may not be aware of them.

According to the town’s personnel by-law, new employees are subject to a job performance evaluation after a three-month probationary period. While there is no mention of annual reviews or a process, the selectmen do conduct them for department heads.

#### RECOMMENDATION 8: USE PAYROLL SERVICE SYSTEM TO MANAGE PERSONAL LEAVE DATA

We recommend that the treasurer use the Harpers Payroll Service system to track and report personal leave balances for all employees. This payroll software can maintain a record of employees’ accrued sick, vacation, personal and compensatory time and can print the balances on the individual pay stubs. As timesheets are submitted with time used, the treasurer’s office would enter the data into Harpers, which adjusts available balances. This would eliminate the time consuming process of maintaining an off-system database. It would enable the treasurer to easily generate an annual report of accrued leave balances for the accountant, who would then include this liability on the town’s financial statements.

#### RECOMMENDATION 9: CONSIDER CHANGES TO THE PERSONNEL SYSTEM

We recommend that the personnel committee review all job descriptions. While the committee reviews them upon a vacancy or potential upgrade, job descriptions should be reviewed periodically to ensure they are current and clearly explain the duties, supervision, skills, and expectations of each position. These may be developed in-house or by a consultant.

We also recommend that the town institute a comprehensive performance evaluation program for all employees. Currently, Brookfield has an informal process for department heads’ evaluations



but a formal employee progressive discipline policy. The selectmen should expand upon these and develop more formal, comprehensive procedures. Using current job descriptions, the selectmen/department head would develop criteria by which each department head's/employee's job performance may be evaluated. Based on the annual evaluation, the department head/employee may be rewarded (i.e., step increase) for a job well done and/or given suggestions if performance improvement is warranted. In the event the department head's/employee's performance is unacceptable, the policy would provide for procedures for corrective action and include the progressive discipline policy. Performance evaluations may be instituted for non-union positions immediately, but will be subject to labor negotiations for other employees.

We recommend that the personnel committee develop an employee handbook. An employee handbook describes employee rights and obligations. It provides detailed information on benefits, town policies, various procedures and available resources. Each employee should be given the handbook upon being hired and acknowledge receipt of it by signature. Annually, continued recognition of the town's policies and procedures should be acknowledged by all employees. These policies should include, but not be limited to, issues of sexual harassment, Whistleblower Act, conflict of interest, ethics, and acceptable Internet and e-mail use.

We recommend that the town amend section 13 of the personnel by-law, removing the phrase "and all employees elected by popular vote." This phrase appears to grant health and life insurance coverage to all elected officials, who are compensated regardless of the number of hours worked. Removing the phrase would support the current practice in which the selectmen may determine whether any elected official works the required minimum regular hours (M.G.L. c. 32, §2(a) and §2(d)).

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## INFORMATION TECHNOLOGY

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Brookfield does not have a formal information technology department. It uses an outside contractor for hardware and system related issues as needed. The financial offices have stand-alone computers and use Microsoft Office applications. While the computers are not networked, each office has access to the Internet and e-mail services, enabling them to communicate electronically; however, not all financial staff have email accounts or use the Internet. The community has an electronic communications and computer usage policy. Virus protection is installed on all devices and backups are performed periodically by each department head and stored off-site.

The financial offices use specialized software applications. The accountant uses Vadar System's Accounting/Financial Suite, which includes general ledger, accounts payable, budgeting and treasurer's receipts modules. However, because the accountant has a stand alone laptop, the treasurer's office does not have access to the module. The treasurer's office uses Harpers Payroll Service software and Excel spreadsheets. The assessing office uses the Community Software Consortium's (CSC) computer assisted mass appraisal system, while the tax collector operates the tax administration package off the same system. Because these two offices are not networked, information is electronically transferred by thumb-drive.

In 2010, one of the selectmen inventoried the computerized systems in non-school departments. He found that there are no servers and many of the computers were older, some with Windows 98 operating systems. Further, most of the town's computerized systems had been purchased independently by departments. There was no plan or coordination among the software applications, so there is now little connectivity between systems. Specifically, data from the collector's office cannot be imported by the accountant's or treasurer's systems, thereby requiring staff time to re-key data. Additionally, the collector's office software is not designed to receive payments from lock box, on-line or escrow services, which provide a detailed account of payments that may be reviewed and then electronically posted to individual taxpayers' accounts without data entry. Town meeting appropriated funding in FY2011 to replace hardware systems, beginning with the tax collector's computer and three computers in the assessors' office. The old hard-drives were cleaned and the computers given to other town departments.

Brookfield officials are actively investigating future options to improve electronic transfer of data and reduce labor-intensive data entry. The town spoke with the accounting software vendor, Vadar Systems, about licensing the tax receivable, billing and collection suite and having the town's financial data housed remotely on servers at the vendor's location, referred to as a hosted solution. Town officials also followed up on the announcement of a joint venture between CSC and the Franklin Regional Council of Governments (FRCOG) regarding the development of an open source municipal integrated financial software system. While still in the discussion phase, it is the hope that a fully-integrated system will be developed and made available through an Internet "cloud" computing environment for smaller communities with limited resources and no technology staff.

The town has a website (<http://www.brookfieldma.us>), which together with the town's cable access station, is overseen by the Brookfield Public Access and Communications Committee. Currently, the website has set up a webpage for most departments and committees and a link for the regional school district. Most department/committee web pages provide useful information and materials, contact information, membership, a statement of responsibilities and hours of operation/meeting time. The website is continually adding resource documents and reports, including a calendar of events, the town's by-laws, town reports, and some committees' agendas and minutes. However, a couple of pages have not been activated, few forms have been made available, and no current financial reports are found on the website. Consequently, town hall staff has to field questions and respond to inquiries by telephone and at the counter.

#### RECOMMENDATION 10: EXPAND THE CONTENT ON THE TOWN WEBSITE

We recommend that Brookfield populate its website with additional data and useful information. Financial and other helpful information often posted on a municipal website include, but is not limited to, the town's budget and monthly expenditure reports, audit results, and all board and town meeting minutes. In addition, each department and board should consider posting reports, forms, applications and frequently asked questions. For example, assessing-related forms for abatement and exemption applications should be added to the assessors' webpage. Rather than creating these forms locally, the assessors' webpage could display a link to DOR's website (under [Forms and Brochures](#) in the Municipal Finance Law Bureau), which would enable a user to select the appropriate form, complete it on-line and print out for submission to the assessors. Overall, a comprehensive and up-to-date 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 telephone.

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## ACCOUNTANT'S OFFICE

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Appointed by the selectmen, the town accountant has served the town since 2003. She works in town hall Monday through Wednesday and Thursday afternoon. She also serves as the part-time accountant in the neighboring East Brookfield.

The accountant oversees financial activity of the municipality and maintains the town's general ledger. She reviews biweekly invoices and payroll; prepares warrants; produces trial balances; and maintains information on town debt. She distributes expenditure reports at least monthly, prepares monthly revenue reports during the budget process, conducts receivable reconciliations with the collector and the treasurer monthly, and verifies the balances of all school accounts twice a year. Generally, the accountant receives copies of all contracts and grants entered into by the town and school department. At the close of each fiscal year, the accountant prepares and submits the balance sheet and year-end report of revenues, expenditures and fund balances (commonly referred to as the Schedule A) to DOR. The accountant also prepares schedules for town's outside audit firm.

Since 2010, the accountant has coordinated the budget process, developing revenue projections, preparing analyses, and centrally managing the budget spreadsheets that reflect the recommendations of the selectmen and advisory committee. In this role, the accountant has been providing consistent financial information to both boards throughout the process, which enabled it to run smoothly from the perspective of town officials.

Monthly reconciliation of cash with the treasurer's office has been and continues to be an issue. Because of the delays in the treasurer's office in preparing and turning over data, the accountant maintains her own spreadsheet that tracks activity—warrants and departmental turnovers—to monitor the cash position of the town. When documentation is provided to the accountant, she may find departmental turnovers that had not been reported to her. She also finds that there continues to be a variance between her cash balance and the treasurer's, which was disclosed in the Executive Summary of this report.

### RECOMMENDATION 11: REQUIRE DEPARTMENTS TO SUBMIT ALL CONTRACTS

We recommend that copies of all contracts, including grants, be submitted to the accountant's office in compliance with M.G.L. c. 41, §57. All departments (including the schools), 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 cannot process the payment request until said contract or grant is presented.

**RECOMMENDATION 12: IMPROVE REVENUE REPORTING BY DEPARTMENTS**

We recommend that all departments provide the accountant with an original copy of each departmental turnover sheet. Under M.G.L. c. 41, §54, all departments are required to deliver all monies they collect to the treasurer and, as a required part of the process, provide a written statement (turnover sheet) of the amount, date and purpose thereof in triplicate. The treasurer counts the turnover in the presence of department personnel and provides a receipt with a stamp or signature on the turnover sheet. His office should retain one copy. The department's staff person should then provide an acknowledged, second copy of each turnover to the accountant, who uses it to independently verify the treasurer's monthly statement of receipts. The department keeps the third copy for its records. This process represents a key internal control, which is only effective when all involved fulfill their responsibilities.

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## ASSESSORS' OFFICE

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The assessing office is operated by an elected, three-member board of assessors. They are responsible for determining full and fair cash valuations, classifying all property, assigning tax payments to owners, and generating the commitment authorizing the tax collector to collect property taxes and excise. As a part of its duties, the board also conducts reviews of property abatement and exemption requests. When these are acted on by the board, they generate approval certificates or denial letters on the computer and report granted amounts to the collector.

The board members staff the office during its hours of operation, Monday–Thursday 9 am to 2 pm and Wednesday evening. They maintain assessment data on approximately 1,500 real property parcels and personal property accounts and 4,500 motor vehicle excise accounts. They process approximately 40 building permits, 50 deed transfers, 60 abatements and exemptions annually. Annually, the assessors request income and expense information on rental properties and forms of list from commercial, industrial, residential apartments and second-home property owners. The board members update the tax maps, data enter legal and deed transfer information, handle the motor vehicle excise accounts and respond to public inquiries.

While the board members conduct some property inspections, they generally rely on the services of their appraisal consultant, Roy Bishop. Mr. Bishop performs most data collection (e.g., sales, building and cyclical inspections), determines the new growth for the board's approval and conducts triennial revaluations and interim year adjustments for all town property. The consultant data enters the results of his work into the assessors' computer assisted mass appraisal (CAMA) system. For these professional services, Brookfield spends about \$6,000 during a revaluation year and about \$2,500 in interim years.

The town's real property assessment records and personal property accounts are maintained on the Community Software Consortium's (CSC) CAMA system. It is used to compile analytical reports and property tax commitments. As a part of CSC's services, the town has a website that provides public access to property record cards and sales information.

One of the assessors recently resigned because she was elected as the new tax collector. She has two years remaining on her term that will be filled by a selectmen's appointment.

In 2008, the Bureau of Local Assessment (BLA) changed the statewide property classification codes to comply with the Government Accounting Standards Board Statement 34. Specifically, the municipally owned parcel code 903 was replaced with ten more specific codes. In reviewing the town's database, the assessors have not updated the class codes as of this writing.

### RECOMMENDATION 13: SCHEDULE TRAINING FOR NEW ASSESSOR

We recommend that the new assessor take DOR's Course 101, *Assessment Administration: Law, Procedures and Valuation*. Any person serving as assessor must successfully complete this basic course and pass the exam within two years of being elected or appointed to the post in order to comply

with 830 Code of Massachusetts Regulation (CMR) 58.3.1. Course 101 is made up of six sessions, presented one evening a week for six weeks or one day a week for three weeks, to accommodate full and part-time assessors' availability. DOR schedules this course twice a year (fall and spring) at two locations and puts on the program at the annual Massachusetts Association of Assessing Officers (MAAO) school in Amherst every August. The location of the fall session will be posted on DOR's website by September and the town's BLA community advisor also will have this information.

Meanwhile, the new assessor may take the [Classification Workshop](#) training on-line, which is located under the Training and Seminars page of DLS' website. This program covers a section of the Course 101 training for assessors. The program contains basic information, examples and "hands-on" exercises to test comprehension and tracks a participant's progress. Upon the completion of the program, a certificate is printed out and the new assessor would forward this to DOR.

We recommend that the new assessor also attend training sessions for the CAMA system. Because the assessors are a working board, each member should have a complete knowledge of the CAMA system. While the other two board members may assist in the learning process, they have other responsibilities. CSC has training program options for new assessors that include group presentations and one-on-one sessions at DOR's Worcester office.

#### RECOMMENDATION 14: COORDINATE INSPECTIONAL DEPARTMENT VISITS

We recommend that the assessors work with the fire department and the building inspector to accompany them on their respective inspections. Teaming up with the fire department when it schedules a smoke/CO2 inspection because of a pending sale would ensure timely, interior information for the assessing database as well as for analyzing sales. Similarly, working separately with the building inspector to be present at the final scheduled inspection for occupancy also will help ensure timely review of improvements. Furthermore, combining visits with another department would reduce the number of scheduled town trips to the same properties and would assist the assessors in fulfilling their cyclical inspection program.

#### RECOMMENDATION 15: RECODE EXEMPT PARCELS

We recommend that the assessors review all tax exempt parcels to make sure each property type classification code is in compliance with BLA guidelines. The assessors should refer to BLA's booklet, *Property Type Classification Codes Property Sales Report: Non-Arms Length Codes and Sales Report Spreadsheet Specifications*, for coding instructions. This will be a required correction for the FY2014 revaluation.

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## COLLECTOR'S OFFICE

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The tax collector's office has undergone an organizational and personnel change. The former collector retired May 2. She was first appointed in 2000 to fill a vacancy and then was elected a few months later to fill the post. By town meeting action and subsequent ballot vote, the tax collector's position was changed to a selectmen's appointment in 2003 and the tax collector was selected to continue to serve the town. Last fall, town meeting voted 74-73 to petition the legislature to make the position elected again and the act was signed into law in January 2011.

At the annual town election, a new collector was elected for a three-year term. Since taking office, the collector has spoken with CSC personnel and received some initial guidance on the system in order to post payments, run management reports and prepare to issue demand bills. She attended the Massachusetts Collectors and Treasurers Association (MCTA) full-day program for new collectors and plans on participating in other formal trainings. The new tax collector also has been in touch with the East Brookfield Tax Collector, who has served in her position for many years and uses the CSC tax administration program. She has agreed to be a mentor to the new tax collector.

The office is open Monday through Thursday from 9 am-3 pm and evening hours 7-9 pm on Wednesday. The tax collector has a part-time clerk, who takes payments so the tax collector can complete other work without interruption.

The tax collector's office processes property tax bills quarterly and motor vehicle excise annually. The collector also prepares about 90 municipal lien certificates each year. Using the Community Software Consortium (CSC) tax administration system, the collector prints and then mails the property tax bills and prepares municipal lien certificates. The motor vehicle excise bills are printed by the deputy collector, Jeffery & Jeffery, but the bills are stuffed and mailed by the collector.

All property and excise bills are taken in by mail, in the office, and from escrow (real estate taxes via mortgage companies) collection services. The town does not use a lock box service or accept payment on-line through the town's website. All payments are posted upon receipt and deposits are made daily at the bank to the tax collector's account. Monthly, the collector prepares a turnover for the treasurer that includes a report with receipt details and a transfer of funds from the collector's to the treasurer's bank account.

Generally, once a real estate tax bill becomes past due, the collector would issue a demand notice. If the demand notice does not result in payment, the collector then would initiate tax taking proceedings and turn the accounts over to the treasurer. However, this process has not been consistently followed in a timely manner in Brookfield. The increasing amount of back taxes and excise has been noted in the private auditor's management letter for a couple of years. As of June 30, 2010, the collector had over \$550,000 in combined real estate, personal property and motor vehicle excise receivables dating back to 1999. In addition, there are credit balances in property taxes and excise in excess of \$48,000 that need to be researched and refunded to the taxpayers, if warranted. It should be noted that the collector and accountant were able to reconcile the FY2008-FY2010 property tax receivables, but not older levies due in part to the issuance of omitted, revised and supplemental tax



bills that were never entered into the CSC system. As for the motor vehicle excise, only the FY2009 receivables are reconciled between the two offices.

To address the growing receivable balances, the collector issued demand notices to all real estate property owners with outstanding bills. The town also hired a collections consultant, Municipal Management Associates, to assist the collector. For some accounts, these combined activities resulted in payments in full or arrangements for payment plans. By August 2010, an initial group of 34 properties were advertised, the tax takings recorded at the Registry of Deeds, and the accounts were turned over to the treasurer. For the remaining outstanding accounts, the collector will have to advertise another round of tax takings. Due to the limited funding available, it will probably take more than a year to act on all outstanding accounts, so the collector should prioritize older and larger balances.

The collector uses a deputy collector, Jeffery & Jeffery, to pursue delinquent motor vehicle excise accounts and to mark licenses and registrations. Delinquent collections are brought to the collector's office to be posted and then deposited into the bank. The deputy collector's fees are paid through the vendor warrant.

Brookfield's water department is managed by a water commission. The water superintendent generally reads the meters semiannually, though the administrative assistant may conduct a reading when a property is going to transfer ownership. Using the El Dorado utility billing application, the water administrative assistant inputs the readings, prints the bills, receives payments and posts collections to the water user accounts. The tax collector is not involved with the water billing and collection system. Since the FY2008 audit, this lack of segregation of duties has been reported as a significant deficiency. The water commission has responded to this concern, informing the selectmen that assignment of staff duties is done to minimize costs and is supervised by the commissioners. They further reported that the department is in the process of changing over the meters to a radio read system, eliminating the manual reading and data entry. While these improvements free up staff time, they do not address the auditor's concern. It is a sound management practice to have the water department collecting readings, reviewing data for accuracy, mailing bills and committing the charges over to the collector's office for collecting all payments. Without this segregation of duties, the community loses an important check and balance that could compromise financial controls.

#### RECOMMENDATION 16: ESTABLISH A TOWN COLLECTOR POSITION

We recommend that the town accept M.G.L. c. 41, §38A. Acceptance of this statute will change the office to a town collector and authorize the office to collect all accounts due the town, including water charges. If the town seeks legislation to combine the collector and treasurer positions, conversion to a town collector can be accomplished there instead.

## RECOMMENDATION 17: CONSIDER ON-LINE AND LOCK BOX SERVICES

We recommend that the collector consider an on-line payment option and lock box service to assist in the collection of all billable amounts. A number of financial institutions offer internet based and lock box services to collect tax and other payments. The service deposits payments into a municipal bank account and returns daily electronic receipt reports to the client community. The collector would review the file and, if it reconciles to the deposit, data enter the payment information to the accounts receivable software. A contract between the town and the 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 mail payments at the collector's office. The process 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 lock box program 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 18: DEPOSIT TO A TREASURER'S BANK ACCOUNT

We recommend that the collector deposit all receipts into an account maintained by the treasurer. As deposits occur, the collector would continue to prepare and deliver a departmental turnover sheet to the treasurer, with an attached copy of the deposit slip. The collector would retain a copy of the turnover sheet and provide one to the accountant, as required by law. This would relieve the collector from having to track and reconcile her own bank account, enable her to focus on collection activities and reconciling her receivables, and improve investment income opportunities for the town. In the event a payment is returned to the treasurer for nonpayment, the treasurer would notify the collector, as she would any department, so the payment is reversed and charges are reinstated immediately.

## RECOMMENDATION 19: RECONCILE COMMITMENTS WITH COMPUTER SYSTEM

We recommend that the new collector review and compare printed commitment books with CSC electronic files. If there are any entries manually recorded in the commitment books, these should be data entered into the CSC system.

## RECOMMENDATION 20: RESEARCH ACCOUNT CREDIT BALANCES

We recommend that the new collector research and resolve credit balances. The collector should review manual and electronic commitment and collection files, abatement and exemptions granted by the assessors and batch reports to make sure all data is accounted for and entered accurately. If it is determined that a refund is due a taxpayer, then the collector would process the

reimbursements through the warrant. Please note that as changes and corrections are made in the CSC collection system, the collector should meet with the accountant to review and reconcile the various accounts to ensure these come into balance and no other problems arise.

#### RECOMMENDATION 21: PURSUE COLLECTION REMEDIES

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

We recommend the collector contact the assessors 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. If an older outstanding amount is eventually collected and turned over by the deputy collector, the assessors would have to recommit the bill on a special warrant to the collector. This will enable the collector to accept the payment and post it in the CSC tax administration system.

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## TREASURER'S OFFICE

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Like the tax collector's office, the treasurer's office has undergone a personnel change. The former treasurer worked part-time for Brookfield for five and half years and gave his resignation in March to take the position of treasurer in the Town of Princeton. Because there is no assistant treasurer's position to manage the office and sign documents, he continued to serve as the interim treasurer until the new treasurer was appointed by the selectmen in May.

The treasurer's office is responsible for cash management (including the investment, disbursement and borrowing of cash), preparation of the town's biweekly payroll, and administration of employee benefits. The office has a staff of three (a treasurer and two clerks) and is open Monday through Thursday.

One clerk works four days a week in town hall and spends 85 percent of her time working for the treasurer and covers the tax collector's office a few hours each week. For the treasurer, she is responsible for receiving and counting departmental receipt turnovers and making bank deposits. She assists employees with payroll forms, handles insurances benefits and sorts the biweekly payroll for distribution to the departments. At the close of each month, she posts departmental receipts in an Excel spreadsheet and submits a report to the accountant. The clerk also reconciles the town's bank statements monthly and submits a report to the accountant in order to reconcile cash with the general ledger, but this occurs between two to four months after the end of the month.

The second clerk works full-time for the town, splitting her time among the treasurer's, water, police and selectmen's departments. For the treasurer, she processes the biweekly payroll using Harper's Payroll Service on an exception basis.

We requested a copy of the treasurer's cash book, a source of original entry, organized by date, for recording all municipal receipts and deposits, as well as disbursements (summarized by payroll and vender warrants). It also serves as a financial control that enables the treasurer to reconcile with bank statements, cash on hand, and the accountant's general ledger balance on a regular basis. When accurately maintained, it reveals the total cash position of the community at any given time. We were informed that a cash book, which has a similar appearance to a personal check register, is not kept.

During our visit to Brookfield in February, we were provided with copies of the treasurer's departmental receipts reports (October 2010-December 2010). In each spreadsheet, the date, department, receipt description, amount by receipt and the deposit total for each departmental turnover is displayed across the top. Going down the spreadsheet, it is divided into three sections, one for each depository account. Entries are chronological and monthly totals are found at the end of each bank account's section. The total receipts deposited are provided, along with a monthly summary of payroll withholdings and deductions, at the bottom of the spreadsheet.

We also were given a copy of the treasurer's bank reconciliation report (as of 9/30/2010). In this report, 16 bank accounts are listed separately as well as grouped by fund type (e.g., general, special revenue, agency, trust and investments) by month. The beginning balances are posted at the

top of the report, which come from the prior month's reconciliation. The deposits, disbursements, interest earned, voids and transfers are listed in summary for the month for each account, rendering the ending balances by account. The treasurer's balances are then compared to the bank statements, making note of deposits in transit and outstanding amounts.

As reported for the end of September 2010, all but three (old payroll, new payroll and vendor checking) accounts reconcile with the bank statements. The old payroll account is closed but the town's books reflect a negative \$3,272.77 balance, while the new payroll account has an \$8,929.59 balance that is higher than the bank statement less outstanding checks. The town provided us with a list of outstanding payroll checks for the new account that date back to 2004, but nothing for the old account. Similarly after adjusting for uncashed checks (that date back to July 2003), the town's vendor checking bank balance was \$6,312 higher than the bank statement.

Since our visit to Brookfield, the treasurer's office has been starting to catch up on its bank reconciliations. The December 2010 cash reconciliation report has been turned over to the accountant and cash receipts reconcile but there is a small \$559.08 variance in the disbursements between the treasurer's report and the general ledger. Of greater concern is the lack of agreement on the outstanding payroll and vendor check amounts between these offices. Since FY2006, the treasurer's records have carried outstanding checks that were voided and/or returned or unclaimed checks, commonly referred to as tailings. In consultation with the private auditor, Scanlon & Associates CPA, the accountant made audit adjustments in the general ledger to remove these items in FY2005, but the treasurer's office has yet to remove them from the records.

The treasurer's office also oversees the town's tax title and foreclosure accounts. Due to the recent activity to pursue outstanding receivables, the collector placed over thirty accounts in tax title last August and then turned them over to the treasurer. The previous treasurer's tax title and foreclosure records were a series of printed documents and different spreadsheets without a uniform setup. In reviewing these records, we found some accounts had subsequent taxes transferred by the collector, but not listed in the tax title account.

The new treasurer plans on having a meeting with the former treasurer to review activity and records of the office. He has offered to provide the new treasurer guidance or mentoring. She plans on attending DOR's New Officials Finance Forum in June and participating in Massachusetts Collectors and Treasurers Association (MCTA) training program over the summer.

## RECOMMENDATION 22: CREATE AND MAINTAIN THE CASH BOOK

We recommend that the treasurer create and maintain a comprehensive cash book in an Excel spreadsheet. The treasurer is required to "annually render a true account of all receipts and disbursements and a report of his official acts" (M.G.L. c. 41, §35). This requires a treasurer to maintain accurate and up-to-date records. A cash book, which has subsidiary ledgers to record activity in all town bank accounts, is essential to this task. The cash book should contain the dates and amounts of all receipts and deposits and disbursements by warrant. Entries should be chronological,

provide adequate detail and references to journals and other supplemental reports. Because of the vital importance of the cash book and the treasurer is ultimately responsible for the proper keeping of it, the treasurer should maintain the cash book herself.

When all activity is posted timely, a cash book enables the treasurer's office to prepare the cash report for the accountant quicker, reconcile the town's balances against bank statements readily, and reduce the delay in reconciling cash. Examples of electronic cash book templates may be found on our website under the [Financial Calculators and Sample Forms](#).

#### RECOMMENDATION 23: IMPROVE TIMELINESS OF RECONCILIATIONS

We recommend that the treasurer make every effort to improve the timeliness of monthly cash reconciliation with the accountant's general ledger. Shortly after the close of each month, the treasurer should make it a priority to reconcile internal account records with bank statements. After reconciling these, the treasurer should then reconcile the treasurer's cash balances with the accountant's general ledger.

We recommend that the treasurer review the outstanding check list by bank account for accuracy. The treasurer and accountant should meet and review their respective outstanding amount lists and the FY2005 audit adjustments provided by the private auditor. Once these lists reconcile, these offices should make it a point to include these as a part of the monthly cash reconciliation process.

We recommend that the treasurer's office use electronic banking services. With access to on-line banking information, the treasurer's staff would be able to see current activity and balances as needed. In addition, this would enable the staff to conduct internal reconciliation immediately after the close of the month rather than waiting for printed statements.

#### RECOMMENDATION 24: CONSOLIDATE THE TAX TITLE ACCOUNTS INTO A SINGLE FORMAT

We recommend that the treasurer finish consolidating the tax title records into Excel spreadsheets that use the same format. In the absence of an integrated application that electronically transfers property tax receivables from the collector's records to tax title parcels under the treasurer's oversight, the treasurer needs to make sure that uniform record keeping is implemented to manage this process. It is essential that the treasurer maintain these tax title records, ensuring all tax takings are accounted for and subsequent taxes are added timely.

## RECOMMENDATION 25 PURSUE TAILINGS

We recommend that the office research the returned or unclaimed checks, commonly referred to as tailings. Any check that is not cashed within three years of issuance is deemed abandoned under M.G.L. c. 200A, §5. A municipal treasurer holding abandoned checks may turn them over to the state treasurer (M.G.L. c. 200A, §7).

Alternatively, Brookfield may accept MGL c. 200A, §9A by town meeting vote (as amended by Chapter 188 of the Acts of 2010). If accepted, it allows the community to print a one year expiration date on checks it issues. Previously, checks had to remain uncashed for three years to be considered abandoned. The treasurers will still notify apparent check recipients of the procedure for claiming them by mail and by posting on the municipality's web site. If unclaimed within 60 days, the treasurer must still publish a list in a newspaper of general circulation and a second publication must be made for those checks of \$100 or more that are not claimed within 60 days. Claims must be made within one year of publication. Having complied with all legal requirements of Chapter 200A, any remaining unclaimed monies are credited to the municipality's general fund.

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## ACKNOWLEDGEMENTS

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