



Town of Carver

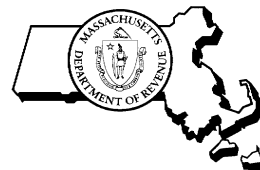
Financial Management Review

Division of Local Services / Technical Assistance Section

October 2011

Massachusetts Department of Revenue Division of Local Services

Amy A. Pitter, Commissioner Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



October 3, 2011

Board of Selectmen
Town Hall
108 Main Street
Carver, MA 02330

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 Carver. 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 the DLS website, www.mass.gov/dls, and 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.

Sincerely,

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

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Marc R. Pacheco
 Representative Susan Williams Gifford

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Introduction

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) completed this financial management review for the Town of Carver. The recommendations contained within this report are based on site visits by a team from the DLS Technical Assistance Section and Bureau of Accounts and in consultation with the Bureau of Local Assessment. To complete the report, we interviewed and received information from members of the board of selectmen, the town administrator, town accountant, treasurer/collector, director of assessing and others. A full list is available in the Acknowledgements. Included as part of our review, we gathered and examined information from various documents including the Tax Recapitulation Sheet, Schedule A, Balance Sheet, and Carver's annual budget, warrant payables and revenue and expenditure reports, and reconciliation reports. We also reviewed the town bylaws, locally accepted statutes, as well as the outside audit report completed by Malloy, Lynch, Bienvenue, LLP and the independent credit rating report by Standard & Poor's.

The scope of our assessment involved a review of a town's government structure in the context of the duties and responsibilities of finance officers; the degree of coordination and communication that exists between and among the various boards, committees and officials involved in financial management; and, the budget, capital planning and warrant processes, and the general efficiency and effectiveness of financial operations and department administration. Our report then offers a series of recommendations to enhance the town's financial management practices, including those specific to the finance related offices of the town accountant, treasurer/collector, assessor and technology. We encourage the board of selectmen, town administrator and other local officials when formulating overall strategies for improving Carver's financial management to consider the observations, analyses and recommendations contained with this report.

Overview

The Town of Carver is located in southeastern Massachusetts and has a population of 11,509 (2010 US Census). It has a land area of 37.55 square miles, making it the 39th largest community by land area in the state. Based on the total number of parcels, Carver is roughly 84 percent residential, but is better characterized as a rural community with a strong agricultural heritage. Of the 23,980 acres of land in Carver, a full 13,412 acres, or 56 percent, is devoted to agriculture, forestry, and recreation purposes. Agricultural activities include cranberry farming as well as truck and field crops, orchards and Christmas tree production. In fact, Carver is the largest producer of cranberries in the state and has two industrial food processing plants situated within the community as a result. Recreational land uses include a sportsmen's club, two campgrounds and a golf course (that is shared with the neighboring Town of Plymouth). In addition, the state-owned Myles Standish Forest and Muddy Pond occupy an additional 2,020 acres of land in the town. Carver is also home to the King Richard outdoor theatre and Edaville USA, a railroad amusement park.

Based on Department of Revenue tax data, income per capita for Carver is \$24,978 or about 74.8 percent of the state average of \$33,411. The town's equalized valuation (EQV) per capita is \$111,138, roughly 71 percent of the state average of \$156,493. Similarly, Carver's average single-family home value is \$266,699, only three-quarters of the state average of \$361,629. Though Carver shifts an additional 30 percent of the tax burden to commercial, industrial and personal property through a split tax rate, the average single-family tax bill of \$3,942 is still about 87 percent of the state wide average.

Despite its small town atmosphere and rural character, Carver's total operating budget for FY2011 was \$33,237,700. Approximately 54 percent of the budget is funded through the tax levy, 34 percent through state aid, nine percent from local receipts and three percent from other sources. With a local K-12 school district and participation in a regional vocational technical high school, the cost of education (including employee benefits for the local district) accounts for about 69 percent of the general fund operating budget. The remaining portions of the budget fund public safety (nine percent), general government (six percent), public works (four percent), recreation & human services (2.5 percent), debt service (2.5 percent) and other fixed costs (seven percent). The town has an informal revenue sharing agreement with the school district that allocates roughly 66 percent of annual estimated revenues to schools. Of special note, Carver has adopted the provisions of M.G.L. c. 44B through a citizen petition in 2007 that established a community preservation fund financed through a three percent surcharge on real property tax bills and state matching funds. Carver is also the only community in the state that offers taxpayers a three percent credit for prompt full payment of the current year's property tax bills by August 1, which is applied to the subsequent year's bill (Chapter 389 of the Acts of 2010).

Combined town reserves averaged 10.62 percent of the annual operating budget over the last 10 years, but have been whittled down significantly in recent years. Free cash has not yet been certified

this fiscal year, but was \$827,638 (July 1, 2010) or 2.49 percent of the FY2011 budget, down from a high of almost \$1.2 million in FY2002. The town has a general stabilization fund with a balance of \$957,648 (July 1, 2011) and just established a capital building stabilization fund in April 2010 that has a balance of \$80,001 (July 1, 2011). Similarly, the general stabilization fund had a balance of over \$3.4 million in FY2003 but has been drawn down in recent years for recurring expenditures.

As for debt, Carver had \$3,751,901 in total long-term outstanding debt and almost \$4.9 million in temporary notes as of June 30, 2010. The annual debt service cost for the town was \$887,009 or about 2.7 percent of the budget. In FY2011, the town issued new water debt and paid off three debt issues including the fire station, library land, and an open space purchase. In early FY2011, the middle school debt was also extinguished with a Massachusetts School Building Authority payoff after the final audit of the project. The credit rating agency Standard & Poor's has assigned an AA- rating to the Town of Carver. This rating reflects Standard & Poor's opinion of the town's stable economic base, median household income levels and per capita property values, as well as the good reserve levels and low debt burden. In their view, however, recent declines in the town's reserve levels mitigate these strengths.

Town government in Carver is organized under a collection of state statutes, special acts, local bylaws and general policies. There is no town charter. Carver has an open town meeting form of government with a five-member board of selectmen, three of whom are also town employees. The finance committee in Carver has six members although, according to bylaw, it must have at least four, but not more than 11 members. The finance committee has the authority to investigate the town's accounts and the management of any department, which are open to inspection by the committee or any person acting on their behalf. Among their responsibilities, the finance committee reviews the annual budget and reports on spending at annual town meeting. There is also a capital outlay committee comprised of seven members: one appointed by selectmen, one selected by the school committee and five chosen by the town administrator. The committee reviews all requests for capital expenditures of more than \$10,000 and a five year life expectancy and makes annual recommendations to the board of selectmen and finance committee regarding methods of financing.

Selectmen appoint a full-time town administrator who serves as chief administrative officer and manages the day-to-day affairs of the town. Established by special act (Chapter 177 of the Acts of 1995) and further codified in town bylaw (Chapter 3), the powers and duties of the town administrator include, but are not limited to the following. The town administrator has the authority to appoint all officers and members of boards and commissions as provided by bylaw. He is responsible for the annual operating budget and the presentation of a five year capital improvement plan to town meeting. He coordinates the activities of all town agencies serving under the town administrator and the board of selectmen, as well as those elected by the voters. He must also ensure that full and complete records of town financial activities are kept. The town administrator is entrusted with managing the town's personnel system, including its policies and procedures, rules and regulations. On behalf of selectmen, the town administrator also negotiates all contracts and collective bargaining agreements except those

involving the schools. He must regularly report to the board of selectmen and is responsible to keep them fully informed of the needs of the town. The town administrator has been with the town for 15 years.

Within this management structure operates the treasurer/collector. Treasurer/collector operations involve the procedures by which money is collected, deposited at the bank, invested and disbursed to fund town government operations. It is important that rigorous financial controls exist for each of these actions that involve public funds. We found that the primary financial management shortcomings in Carver involve the treasurer/collector's office and center on the late reporting of receipts to the town accountant and the lack of comprehensive cash records that are regularly reconciled with the accountant's general ledger. Specifically, this review outlines reporting delays and other problems associated with the treasurer/collector's office that are well documented in annual town audits and have gone unaddressed for far too long. Incomplete recordkeeping, the absence of a proper cash book, and the lack of regular cash reconciliations with the accountant, compromise the town's ability to accurately gauge its financial position and undermines critical financial controls over cash. Exacerbating this situation are the multiple roles that demand the time of the current treasurer/collector, a problem that he acknowledges prevents him from focusing on the core priorities of his office.

The fact that the treasurer/collector also serves as a selectmen makes it difficult for the town administrator to fulfill the town bylaw requirement that he advise the board of selectmen of the above issues and recommend corrective action. When most of the selectmen are town employees as well, potential conflicts may arise between the selectmen's role as town employers and the dual role of some members as employees. For example, under the state's recently approved health insurance reform law, it is the selectmen that must vote to implement changes to employee health insurance co-payments, deductibles and plan design. Other issues may occur in a collective bargaining context, in the implementation of personnel policies and the application of employee discipline. While we saw no evidence that the current board is not acting in the best interests of the town, we believe that a town government the size of Carver's operates best when there is adequate separation between the selectmen as policy makers and employers and those employees charged with carrying out those policies.

Conclusion – Except for the challenges we highlight with the treasurer/collector, Carver is in relatively good financial condition. The town continues to generate free cash and has access to stabilization funds, including a new capital building fund, despite a significant draw down in reserves over the last 10 years. The debt burden also remains relatively low and the town maintains a solid bond rating. In addition, budgeting practices are conservative and the town has a long-term capital plan in place. The town administrator is a seasoned veteran in the community, as are most finance department personnel. In general, we found town operations in good order.

Nevertheless, there are challenges associated with the treasurer/collector's operation that remain a risk to the community. From our vantage point, the treasurer/collector needs to focus his priorities more directly on completing the core responsibilities of the office. To ensure that these longstanding issues are

addressed, we think that the town would benefit from converting this position to an appointed position that is accountable to the town administrator. In the body of the report, we provide a recommendation designed to achieve this, as well as a recommendation that the town consider restricting town employees from simultaneously serving as members of the board of selectmen. In the section that follows we describe the various financial management offices of the town accountant, assessors and treasurer/collector and discuss in greater detail their legal duties and responsibilities. We conclude by prioritizing what needs to be resolved and offer a series of recommendations to these points.

Financial Management Offices

The management of municipal finances centers on three primary departments, including the town accountant, assessors and treasurer/collector. The individual responsibilities within these offices are critical to the financial wellbeing of the town and go beyond any one department to impact local government as a whole. The success of these departments depends largely on the ability of local finance officers to communicate with one another, collaborate on various reporting responsibilities on a regular basis and generally coordinate municipal finance management activities. Below, we describe the operational makeup and detail the core responsibilities of the offices of the town accountant, assessors and treasurer/collector.

The appointed town accountant has been with Carver for eight years. Office staff includes a full-time assistant town accountant, who has the authority to sign warrants in the department head's absence. The town accountant has the legal obligation to oversee all financial activities of the municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a vital role in the systems of checks and balances established by statute to monitor and protect local assets. To fulfill this obligation, the office prepares warrants to be signed by the board of selectmen, maintains a general ledger where receipts, expenditures and all other town financial activity is recorded, and reconciles cash, receivables and debt with the treasurer/collector's office. In addition, the town accountant monitors revenues and expenditures and is involved in the annual budget and capital planning process. The town accountant also made it a practice to periodically issues bids for outside audit services as we typically recommend.

The director of assessing is appointed town administrator in consultation with a three member, elected board of assessors. She has been with the town for almost nine years. The director conducts building and occupancy permit, sales, and abatement inspections as well as maintains the town's geographic information system (GIS) and assessors' maps. She supervises a full-time administrative clerk, who primarily handles general office, customer service and motor vehicle excise issues, and an assessing technician, who conducts cyclical inspections. The latter position is currently vacant. The assessing office is responsible for valuing all real and personal property in town and generating commitments that authorize the collector to collect property taxes and motor vehicle excise.

The assessing office uses the PK Valuation Group computer assisted mass appraisal system for maintaining property record data, developing property values and hosting the town's property record information online. The director of assessing determines new growth, completes interim year value adjustments and conducts in-house real and personal property revaluations. From time to time, if resources are available, the director consults with PK Valuation Group on specialized valuation matters.

The treasurer/collector in Carver is elected and in his second term. Simultaneously, he has been elected to the Carver Board of Selectmen, the Carver Redevelopment Authority (treasurer) and the

Plymouth County Charter Commission and is an appointee to the Carver Industrial Development Finance Authority. In addition to the treasurer/collector, the office includes a full-time assistant collector, department assistant and a payroll/benefits coordinator.

The collector's side of the operation is managed primarily by the assistant collector and the department assistant. They review commitments from the assessing office, issue tax and excise bills, receive and post payments to taxpayers' accounts and turn over collections to the treasurer. Staff properly maintains records of original entry including the receivable control, which is up-to-date and reconciled monthly with the accountant. Procedures for reporting bounced checks and sending tax demands are in place, and a recent tax taking for FY2009 was completed on June 30.

The payroll/benefits coordinator processes payroll, handles benefits, and manually records attendance. The town uses an outside vendor, ADP, for payroll. Timesheets are submitted weekly by town departments and entered on an exception basis (the school department processes its own biweekly payroll). After confirming the figures with the town, ADP prints the payroll checks and payroll stubs that are sent overnight to Carver. However, notice of the total payroll amount to be funded is generally provided about a day before disbursement, making it difficult to fund the exact amount in time for direct deposits to be processed. Hence the payroll coordinator prepares a funding estimate for the treasurer based on historical figures. Under a trust account arrangement, both the pay checks and the direct deposits are drawn on ADP's bank rather than a town account. If a check is not cashed after 60 days, ADP voids the check, notifies the town and refunds the amount back to the town. The treasurer contacts the person and issues a manual check from a town account.

The treasurer is the community's cash manager and has custody of all municipal money. He issues town debt and maintains debt payment schedules. While the staff takes in departmental turnovers and counts them out, he posts them into the WTI System, the town's computer financial software. He deposits town receipts into appropriate bank accounts and prepares a weekly report of receipts to the accountant. The treasurer reported that for a period of almost three months this year he failed to post departmental receipts to the town's computer system. It was only when he delegated the task to the departmental assistant that receipts were brought up-to-date.

The treasurer's cash book is made up of a collection of Excel spreadsheets, which he uses to track and monitor account balances to ensure that sufficient funds are available to cover town obligations. In reviewing this essential and permanent record, we found it was not current, contained closed accounts, lacked sufficient detail and reference information and relied on volumes of manual documentation. Separately kept warrant, check register and transfer logs were also not linked. The assistant collector reconciles the cash book to the bank statements monthly, but the treasurer only reconciles cash with the accountant as time allows. In July 2011 cash had not been reconciled with the accountant since June 2010, and at present cash reconciliations are completed only through December 2010.

In the absence of a complete and accurate cash book and timely cash reconciliations there is a risk of potentially serious consequences. In its current condition, the cash book is incomplete, inadequate and

would be a challenge for anyone other than the treasurer who would attempt to determine the fiscal position of the community. In addition, other activity is not consistently communicated to the accountant, including the receipt of bond proceeds that was only recently discovered through the late cash reconciliation reports. Specifically, it was discovered that the treasurer rolled over short-term notes and issued new debt without reporting the proceeds to the town accountant. More concerning, however, is the fact that the rolled over notes had pay down amounts and debt interest expenses that were not approved by the selectmen through the warrant process and were not booked into the general ledger. These are serious issues that move beyond the treasurer's office to impact the fiduciary responsibilities of the selectmen and the accountant.

Conclusion – Financial management offices in Carver work generally well, except for the shortcomings involving the treasurer/collector. In this instance, we offer recommendations to convert the treasurer/collector from elected to appointed, and suggest that the town consider restricting town employees from simultaneously serving as members of the board of selectmen. Beyond these primary recommendations, the report comments on the list of issues that warrant specific attention within the treasurer/collector's office as well as additional opportunities to improve financial management practices throughout town hall. These recommendations include, among others, the need to maintain a proper cash book; the importance of posting receipts, reporting activity and reconciling timely; eliminating the tax payment discount program; and a call to develop procedures manuals for finance offices.

Recommendations

These recommendations are intended to direct local officials' efforts to areas critical to fiduciary controls and municipal financial management activities. In some instances they address long-standing financial management issues that have been repeatedly discussed, but left unresolved. The deficiencies in Carver can be resolved with renewed determination on the part of local leaders and town officials. Achieving desired results will require an every day commitment from staff to execute procedures and complete processes. Whether or not that occurs depends in large part on the priorities set by the board of selectmen, the town administrator and the voters who hold elected officials accountable. Instrumental in overcoming these challenges will be a renewed focus on time management and the development of a schedule of when essential tasks will be completed.

1. Appoint Treasurer/Collector

We recommend the town convert the treasurer/collector's position from an elected office to an appointed one. This can be accomplished locally using the process outlined in MGL Chapter 41, Section 1B. This statute requires that the question to appoint the treasurer/collector be approved by annual or special town meeting and then approved at an annual town election that occurs at least 60 days after the annual or special town meeting.

While an article to appoint the treasurer/collector was defeated by annual town meeting in 2005, this rejection does not make the reasons for the change any less compelling (Selectmen voted to recommend 4-1 and Finance Committee voted to recommend 6-0). Unlike most policy making positions, such as the board of selectmen and finance committee, the treasurer/collector position requires a specific skill set. An appointed position expands the pool of potential candidates and offers the potential to hire a person with the greatest level of experience and the requisite qualifications to perform the job. When appointed, the treasurer/collector would be on equal footing with other town hall employees. The position would be accountable to the town administrator and required to adhere to the same rules and performance standards as other municipal employees.

2. Adopt Bylaw Limiting Eligibility for Board of Selectmen

We recommend that the town adopt a bylaw that limits town employees from serving simultaneously as members of the board of selectmen. While Carver has a bylaw restriction on town employees serving on the finance committee, the council on aging and the board of public works, it does

not extend to the board of selectmen. To illustrate the potential issues that may arise when employees also serve as selectmen, we point to the recently enacted health insurance reform law [Chapter 69 of the Acts of 2011](#). This statute requires a vote of the selectmen to pursue changes to employee health insurance such as the amount of co-payments, deductibles and other cost-sharing plan design elements. According to a recent [State Ethics Commission opinion letter](#) regarding the conflict of interest law, Section 19 of c. 268A prohibits municipal employees, including selectmen, from participating in particular matters in which they have a direct and immediate, or a reasonably foreseeable, financial interest [M.G.L. c. 268A](#). Clearly, any current subscriber to the town's health insurance plan has a reasonably foreseeable financial interest in whether or not the town accepts Chapter 69, and is therefore subject to the restrictions of Section 19.

Given that most of the members of the board of selectmen in Carver are town employees, if they also receive town health insurance, it is likely that there will be conflict of interest issues where one or more of the board will not be able to participate in this vote. Although state ethics laws may allow members with this conflict to participate under the so-called "rule of necessity" if the town cannot otherwise muster a quorum of selectmen to act, this situation clearly points out the potential pitfalls when the distinction between the town's employers and employees becomes blurred. This argument can further extend to matters such as evaluating employee performance including the town administrator's, disciplinary issues, collective bargaining or any number of policy decisions involving town employees.

To avoid this, many communities adopt a general bylaw defining office eligibility and restrictions. As an example, Charlton adopted a by-law for the selectmen. It states, "A selectman may not hold any other elective or compensated office under government of the Town of Charlton during the term for which he/she is elected, nor any compensated appointive town office or employment for one year thereafter (Article III, Section 1)." Alternatively, Hull's charter provides the following. "No person shall hold more than one (1) elected municipal office simultaneously. If a person holding a municipal office is elected or appointed to a second elected municipal office, the first office shall automatically become vacant as soon as the person is sworn in to the second office. If such person is not sworn in within ten (10) days following election or appointment, the second office shall automatically become vacant (Section 42-2)."

3. Maintain Cash Book

The treasurer/collector has failed to maintain a proper cash book as detailed in the financial management office section of this report. The cash book is the source of original entry for recording receipts and deposits, transfers, and disbursements summarized by warrant that tracks the total cash position of the town. A cash book is an essential check and balance when it is routinely reconciled to bank statements, cash on hand, and the general ledger balance on a monthly basis. Since many of the

accounting records flow from this source document, the cash book is legally considered a permanent record and a critical component of financial management.

Whether the treasurer/collector uses Excel spreadsheets or approaches WTI to set up an integrated cash book within the software application, he needs to make the maintenance of the cash book a priority. The cash book should provide the cash position of the community at any time by clearly reflecting each entry by warrant number, batch entry, bank deposit and/or transfer. In addition, it should be reconciled to bank statements internally and then externally with the accountant soon after the close of each month. We would also advise the treasurer/collector to develop a detailed list of procedures outlining the method by which he maintains his cash book in the event of his absence.

4. Post Receipts, Report All Activity & Reconcile Cash Timely

We recommend that the treasurer/collector's office post all receipts daily or as received, prepare complete weekly reports of all activity for the accountant and reconcile cash shortly after the close of each month. Under M.G.L. c 41, §35, it is the treasurer/collector's duty to receive, take charge of and account for all monies belonging to the town, and to receive and identify monies due the town and to report the same to the accountant. The treasurer/collector's office has neglected for years to report cash receipts and complete cash reconciliations on a timely basis. This problem has been cited in management letters from the Carver's outside auditor in each of the last three fiscal years and perhaps longer. While the treasurer has posted departmental receipts in the WTI System through August 2011, the last reconciliation of cash is for December 2010, eight months behind. It is clear to us that the treasurer/collector knows his responsibilities to report cash and complete reconciliations, so we are not going to repeat them here. For whatever reason, he has chosen not to make it a priority. Our greater concern is the failure of management and taxpayers to hold him accountable. A longstanding problem, it is a fundamental responsibility of the treasurer/collector to complete these tasks.

Included in the Appendix, we provide a detailed breakdown of the treasurer/collector's reporting activity to the town accountant and dates of reconciliations.

5. Revisit How Payroll Account is Handled through Outside Vendor

Many communities use an outside vendor to prepare the payroll, handle the payment of deductions and other withholdings, provide adequate notice of the total disbursement amount and produce periodic payroll reports. We know of no instance where public funds are placed under the control of a private contractor. The town should establish its own bank account from which payroll is disbursed and require ADP to provide documentation timely to properly fund each payroll. The town

would have to provide appropriate account information for a town bank account to have ADP prepare the payroll and the treasurer's office would be responsible for managing the payroll bank account, which includes reconciling it monthly and tracking uncashed items.

We also recommend that the accruals of personal time be tracked through the payroll system. Because the town never purchased the computerized module, the payroll coordinator manually keeps each individual's accrual and use of personal, vacation and sick time on card stock. With the addition of the application, accruals would have to be entered when earned, the time used automatically would be deducted and the balances would appear on the employee's pay stub.

6. Continue to Move Outstanding Taxes into Tax Title

While current economic circumstances make it difficult to pursue outstanding taxes, we recommend that local officials take the appropriate steps to move delinquent property into tax title. Outstanding receivables result when money owed for taxes and other charges goes unpaid by the close of the fiscal year. Based on the preliminary FY2011 closing, Carver has \$706,606 in outstanding real estate and \$48,256 in personal property receivables. To resolve this, the treasurer/collector is encouraged to establish a routine annual schedule for securing tax liens and moving receivables into tax title and toward foreclosure. Once in tax title, the treasurer/collector should initiate foreclosure proceedings, especially on properties of high value. Then, each year, he should identify at least the ten largest tax title accounts ripe for foreclosure and proceed in Land Court in an aggressive fashion. Included in the Appendix, we provide a detailed breakdown of outstanding receivables, along with a series of steps the treasurer/collector should take to organize tax title accounts moving forward.

7. Institute Cash Handling Policy & Set Turnover Rules

We recommend that the treasurer/collector confirm that proper cash handling procedures are in place across all town departments. A cash handling policy should be adopted that sets rules for the flow of money and identifies guidelines related to financial controls and accountability. The scope of a written policy outlines step-by-step procedures to be followed in the collection, deposit and management of cash for all town departments. The basic concept is to reinforce internal controls by documenting procedures that provide reasonable assurance that cash is being adequately safeguarded and accurately received, recorded and deposited during the collection process. Carver could specifically benefit by ensuring that departments issue written pre-numbered receipts for any and all cash transactions. Certain rules should also be imposed on when and how turnovers from departments are handled, including:

- At the time of payment, cash transactions should have a corresponding numbered receipt issued to the customer and be appropriately logged in the financial management software or a spreadsheet;
- Cash should be held in a secure place, e.g. a locked cash drawer or safe, until it is turned over to the treasurer/collector's office for deposit at the bank;
- At a minimum, all department turnovers to the treasurer/collector should occur weekly regardless of funds collected, and more often during periods of high volume;
- Turnover sheets should be standardized to include the department's name, related revenue account information and locations for turnover amounts, dates and signatures; and,
- On a routine basis the town accountant should spot-check department cash handling and recordkeeping practices to confirm they are in compliance with town policy.

We also recommend that the treasurer/collector establish separate cash drawers at the counter for each staff person. This measure serves as an additional control in the collection process and will make it easier to identify when or if discrepancies exist. As an alternative and less costly measure to building cash drawers at the counter, we suggest that each staff person have their own cash box. Currently, the office uses two baskets behind the counter, one for checks and one for cash.

8. Transfer Water Bill Collections to the Collector

Carver has two separate water operations in town, the Cranberry Village Water District where selectmen act as commissioner and the North Carver Water District that has its own independently elected commissioners. Staff for the North Carver Water District prepare and collect water bills, while the selectmen's office does the same for the Cranberry Village District. Receipts from each operations are turned over to the treasurer/collector. Moving forward, we recommend that as matter of good business practice that all committed amounts be directed to the treasurer/collector's office for payment. Having a separate office receiving payments ensures segregation between determining the charges and collecting them. As a town collector, the treasurer/collector's office may receive tax, excise and user charges.

9. Compensate Deputy Collector through Warrant

The treasurer/collector should process deputy collector fees through the warrant process. PKS, the deputy collector for Carver, maintains a separate bank account where delinquent motor vehicle receipts are deposited and from which their fees are drawn. According to M.G.L. c. 60, §92, deputy collectors may not receive checks for tax payments that are made out to them as payee. In addition, deputy collectors may not deposit municipal funds into a personal bank account or one maintained in the name of the community but solely under their control. To bring the deputy collector relationship in line with proper financial management practices, we recommend that the deputy collector either turn over all receipts to the treasurer/collector's office at least weekly, or deposit them into a joint bank account under the control of the town. The deputy collector should also be compensated through the warrant process. For more information, see [Informational Guideline Release \(IGR\) No. 90-219](#).

10. Advertise Unclaimed Checks

We recommend that the treasurer/collector establish a process to handle unclaimed checks, known as tailings. Tailings commonly include tax refunds, vendor payments, and payroll checks that are issued but remain uncashed. To begin, a diligent effort should be made to contact vendors or individuals to determine whether issued checks that appear stale should be voided or re-issued. If, after a search, check payees cannot be located, the treasurer should initiate procedures outlined in M.G.L. c. 200A §5 and M.G.L. c. 200A, §9A. Moving forward, the treasurer/collector should complete the following steps in an effort to keep the list of unclaimed checks to a minimum:

- Review the outstanding check list during the monthly process of reconciling the cash book to bank statements.
- Notify the appropriate department when a vendor, employee or other check is uncashed for 30 days or more.
- Request that the department head contact the payee to determine why the check is not cashed.
- If the payee cannot be located, void the check and notify the accountant. The town's obligation remains, but a new invoice and warrant approval will be necessary to re-issue payment. If the payee is contacted, put him on notice that the check will be voided if not cashed within 30 days.

11. Avoid Anti-Aid Amendment Appropriations

We recommend that the town seek the opinion of town counsel on whether appropriations to private organizations violate the Anti-aid Amendment under the Massachusetts Constitution. Upon reviewing the town's annual town meeting minutes, we found that Carver appropriated \$19,000 to non-profit organizations to support their activities. A municipality may only compensate such organizations for particular services rendered to the municipality and only after the service is provided.

12. Revoke the Treasurer/Collector Fees Revolving Fund Account

We recommend that town meeting revoke its recent vote to create a revolving fund for the fees from checks returned for insufficient funds and public information requests. Requested by the treasurer/collector, his intention is to use the fund to finance an additional part-time assistant treasurer/clerk position within his office. A departmental revolving fund is a special revenue fund authorized by M.G.L. c. 44, §53E½ to provide communities with some flexibility in budgeting for programs and services. However, revolving funds are not permitted to be funded with general receipts including fees from insufficient fund checks and public information requests.

13. Discontinue Early Tax Payment Discount

We recommend that the town repeal Chapter 389 of the Acts of 2010 that offers taxpayers a three percent discount if they pay their full year's real estate tax bill by August 1. Unique to Carver, the program was originally intended to encourage residents to pay their entire year's taxes in advance so the town can generate interest and the necessary cash flow to cover expenses. The program is a potentially useful tool for semi-annual billing communities that only receive an infusion of funds twice a year and routinely need to borrow in anticipation of revenue. However, the cash flow issue is often resolved when communities move to a quarterly billing schedule, as Carver has. The discount program does not make financial sense and is not in the best interest of the town because borrowing and interest rates are so low. It also poses budgetary and administrative hurdles for finance officers, and is inherently inequitable because it only benefits residents who can afford to pay their taxes in full. To discontinue this program would require a vote of town meeting asking the General Court to repeal the special act.

14. Form Audit Committee

We recommend the formation of an audit committee to review the auditor's management letter and monitor progress in resolving identified issues. The town administrator working with finance officers would be expected to formulate a corrective action plan and be primarily accountable for its execution. The audit committee might be comprised of three to five members with financial expertise and may include selectmen, finance committee members and residents at large. Given the substance of an audit and to avoid any potential conflicts of interest, town employees should not serve as members of the committee.

15. Initiate Employee Performance Reviews

Employee performance reviews in Carver are conducted on a department-by-department basis and are very informal. The town administrator also received his first formal performance review after 15 years on the job because his contract was set to expire. We recommend that local leaders in Carver adopt a well thought-out annual employee performance review program. Such a program would include guidelines that identify step-by-step procedures for reviewing an employee's work responsibilities, an outline of previously established goals and job expectations for the ensuing year, and a schedule identifying when evaluations will take place on an annual basis. We encourage the board of selectmen to complete an annual performance review of the town administrator, who would orchestrate evaluations for department managers and staff under their authority.

An evaluation program should be goal-oriented and only works when there is buy-in from all involved. The program should also be recognized as a two-way process rather than discipline focused. While employee performance is an obvious focus, the employee's needs, opinions and comments about job responsibilities can provide valuable insight to management. Under this approach, the evaluation process should evolve into a collaborative effort that leads to improved job performance, a more skilled workforce, enhanced operations and a better work environment.

16. Develop Procedures Manual for Finance Offices

We recommend that each financial office develop a procedures manual for all activities conducted within that department. The town accountant and assistant town accountant in Carver are already in the processes of developing one. Procedures manuals are easy reference guides for employees and are most effective when they include computer screen shots and outline step-by-step instructions. Manuals are especially helpful in situations where an employee has held a position for an extended period of time and is set to leave.

17. Reconcile Revenue & Expenditure Reports

We recommend that the community establish a procedure that requires each department head to review monthly revenue and expenditure reports, confirming electronically that the general ledger's figures match internal records or providing an explanation/supporting documentation for any variances.

The town accountant produces revenue and expenditure reports for selectmen, as well as other boards, commissions and departments on a monthly basis as required by M.G.L. c. 41, §58. For their part, department managers are expected to review the information contained within the report to confirm their record of revenues and expenditures matches the town accountant's. Any issues should be further researched and resolved. It is our expectation that an assigned person within each department would maintain the independent record of department revenue and expenditures on an Excel spreadsheet. The review not only provides department heads with information critical to monitoring their own department's financial performance, but any line-item shortfalls or excesses can be analyzed and, if necessary, mid-course budget adjustments can be made. The town accountant should complete regular spot checks to confirm that departments are completing necessary reconciliations.

18. Implement Bi-Weekly Payroll & Encourage Direct Deposit

We recommend that Carver convert to a bi-weekly payroll process which offers a number of advantages including reduced workload, staff time and costs for such things as check stock and postage. A move to a bi-weekly payroll period will require collective bargaining with the town's labor unions. We further encourage town officials, including the treasurer/collector, to enroll in direct deposit. Currently about 65 percent of employees are on direct deposit, which is low for a town the size of Carver. For the individual, direct deposit ensures money is available when deposited and saves the time of having to go to a bank. For the community, direct deposit reduces the cost of issuing checks, prevents the need to reissue lost checks, and simplifies the reconciliation of payroll bank accounts because there are no outstanding checks.

19. Pursue Owners Unknown

We recommend that the assessors research the ownership of any parcels in question and, if unable to find the current owner, seek the authorization from the Commissioner of Revenue to assess to persons unknown (M.G.L. c. 59, §11). In 2007, the town attempted to pursue the foreclosure through Land of Low Value (M.G.L. c 60, §79) on eleven parcels located in the Great Cedar Swamp. At that time, our legal staff questioned whether the town had assessed the correct owner. It was recommended that the tax takings be disclaimed and the assessors request authorization to assess to owners unknown. We again advise the community to pursue the course outlined, getting permission to assess to owners unknown and then reassess all years' taxes. With clear authority to assess to owners unknown, the town may come to obtain title to the property through the foreclosure process.

20. Explore Shared Network Drive

We recommend that the town establish a shared network drive. One possible shared drive would be between the financial offices in town hall and the school district. Through a shared network finance offices can seamlessly exchange information, update files and review documents. Revenue and expenditure statements, reconciliations reports, contracts and other miscellaneous documentation could all be housed within a shared network drive. Not only is information convenient and readily available for department staff review, it can limit the paper driven nature of town hall. Another possible shared drive would be between the planning department and assessing office for subdivision and other plans submitted in an electronic format.

The planning department has the authority to require all applicants to submit plans in an electronic format. If made available to the assessing office, these electronic files could be used for reference and map updating purposes, enabling the town to save time and money when updating the assessors' maps and GIS.

21. Implement Record Disposal Schedule

We recommend that officials implement an aggressive record disposal campaign throughout town hall. It was apparent upon our arrival that storage is becoming an issue in town hall. Specifically, various records and files appear to be piling up in the treasurer/collector's office as well as in the limited storage area in the attic. This process will not only provide a means to dispose of and organize records, it will produce a neat work environment that reflects positively on the town. As an initial starting point, we suggest reviewing public record law and the municipal disposal schedules and processes located on the Secretary of State's website, www.sec.state.ma.us. The site lists municipal disposal schedules for each department including the treasurer, collector, accountant and assessors.

22. Study Consolidation Opportunities

We encourage local officials to consolidate services between the town and school district. Through economies of scale, the merger of services between the town and school district is a possible way to build efficiency, improve service or produce cost savings. While technology in Carver is shared between the two, other possible opportunities that should be explored include the building and grounds department where capital planning, supplies and maintenance scheduling could be shared. At the same time, Carver could benefit from regionalizing services with neighboring communities. There has been a lot of focus recently on regionalizing services among cities and towns including the Lt. Governor's recent announcement of \$4 million in regionalization and efficiency grant monies available to municipalities. Available resources include the [Division of Local Services](#) (DLS), [Southeastern Regional Planning and Economic Development District](#) (SRPEDD), [Plymouth County](#) and the [Massachusetts Municipal Association](#) (MMA).

Appendix

Treasurer/collector's reporting activity and reconciliations dates:

Receipts Thru	Posted on	# of Weeks Behind	Reconciliations thru	Reconciliation Completed	# of Weeks Behind
July-10	10/29/10	13	July-10	06/12/11	45
August-10	11/19/10	11	August-10	06/12/11	41
September-10	01/13/11	15	September-10	06/12/11	36
October-10	01/15/11	11	October-10	09/07/11	44
November-10	01/17/11	7	November-10	09/07/11	40
December-10	02/09/11	6	December-10	09/07/11	36
January-11	03/03/11	4	January-11		30*
February-11	03/25/11	4	February-11		26*
March-11	04/05/11	1	March-11		22*
April-11	05/04/11	1	April-11		18*
May-11	06/08/11	1	May-11		13*
June-11	07/11/11	2	June-11		9*

* as of 9/1/11

Outstanding Receivables:

Source	Amount Outstanding	
	30-Jun-10	30-Jun-11
Real Estate	\$617,248	\$706,606
Personal Property	48,256	54,150
Motor Vehicle & Other Excise	189,515	211,627
Tax Title	607,285	537,741
Foreclosures	591,803	623,853
Departmental	154,523	167,279
Total Outstanding Receivables:	\$2,208,630	\$2,301,256

Steps to Organize Tax Title Accounts:

1. Land of low value: 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. The most recent tax bill should be a good indicator of a property's current assessed value.
2. Multiple parcels under single ownership: On the town's list of tax title accounts, there may be instances where individuals own multiple properties. Greater efficiencies can be gained by dealing with these properties together either in Land Court or during a negotiation of a partial payment agreement.
3. Accounts with bad addresses and/or deceased properties owners: These accounts should be individually investigated to determine the likelihood of identifying legal owners, or person(s) in possession. If an owner is found, contact should be made. If after a diligent search, an owner cannot be found, alternative action should be considered. 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.
4. Existing partial payment agreements: Existing agreements should be reviewed to ensure that each is being honored and that payments are sufficient to pay down the outstanding tax balance within a reasonable time. If not, the agreement should be restructured or voided, and foreclosure proceedings should be initiated.
5. Remaining accounts: These accounts are the most likely candidates for outside legal assistance. We recommend the treasurer identify properties with the highest outstanding balance and solicit legal services through a request for proposals. Let respondents provide details on how many accounts, on what basis and for what fee each would contract with the town. The process can be replicated as needed to reduce the number of tax title accounts.

Acknowledgements

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Dick Ward, Selectman

Jack Franey, Selectman & Treasurer/Collector

John Cotter, Chair, Finance Committee

Richard LaFond, Town Administrator

Jean Bouchard, Assistant to the Town Administrator

Diane Scully, Selectmen's Clerk

John Adams, Town Accountant

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