



Town of Charlton Financial Management Review

Municipal Data Management and Technical Assistance Bureau

October 2003

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INTRODUCTION

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

We have based our findings and recommendations on site visits and telephone interviews by a technical assistance team consisting of staff members from the Division's Bureau of Accounts (BOA), Bureau of Local Assessment (BLA), and Municipal Data Management & Technical Assistance Bureau (MDM/TAB). During these visits, the team interviewed the chair of the Board of Selectmen, the chair of the finance committee, the town administrator, principal assessor, tax collector, treasurer, a commissioner from the water/sewer department and other municipal staff.

DLS examined such documents as the tax rate recapitulation sheet, town reports and warrants, balance sheets, various job descriptions as well as other assorted financial documents.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the degree of communication and coordination among relevant boards and officials; (3) the performance of operations in such a way as to maximize resources and minimize costs.

We encourage the Board of 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 town boards and officials.

EXECUTIVE SUMMARY

Charlton is located in southern central Massachusetts in Southern Worcester County. Charlton is bordered by Spencer on the north, Leicester on the northeast, Oxford on the east, Dudley and Southbridge on the south, Sturbridge on the west, and East Brookfield on the northwest. Historically, the town was primarily a community of small family farms. However, since the 1960's, the farms have been declining and the town has experienced rapid residential growth, becoming a bedroom community. The main reasons for this growth rate are the town's abundant available land and the proximity and easy access to major highways such as I-90, I-84, I-290 and I-395. During the last decade (FY93–FY03) alone, the number of residential parcels increased from 3,051 to 3,766, or 23 percent, with single family parcels increasing by 662. As the town was developed, Charlton's population increased. Between 1970 and 1990, the town's population more than doubled, growing from a population of 4,654 to 9,576. In 2000, the population climbed to 11,263 or another 18 percent above 1990 levels.

Charlton has a selectmen-administrator-open town meeting form of government. The elected board of selectmen appoints a town administrator to run day-to-day activities. Over the last three years, three different individuals have served as town administrator. The current town administrator was appointed in September 2002 after the position was vacant for six months.

At about the time of the administrator's appointment, the town's accountant resigned after 20 years of service. His resignation was quickly followed by the retirement of the accounting office's chief procurement officer in December 2002. Since October 2002, the town has advertised the accountant's position three times without being able to find a qualified candidate. To fill in during part of the vacancy, a selectmen's staff member was appointed interim assistant accountant, but she also retired in December 2002. Subsequently, the department assistant became the interim assistant accountant until February 2003 when she also retired. Also in February, the town hired a vendor to assist in the office, who has subsequently become a full-time employee and oversaw the office until the new accountant was hired in October 2003. In May 2003, the town also hired a certified public accountant (CPA) on a contractual basis to manage the new financial software implementation and verify the town's data after it was imported to the new system.

During this period, Charlton experienced turnover in other financial offices. Both the tax collector and the treasurer retired. With these vacancies, the town proposed special legislation to change these offices from elected to appointed. Charlton is still waiting for the Legislature's approval as of this writing. In the meanwhile, two new individuals were elected in May.

With personnel changes in many of the financial offices, the town struggled to put together its FY04 budget. It was the first budget prepared by the newly appointed town administrator and state aid had been cut during FY03 and additional reductions were proposed for FY04. Departments had to submit various budget proposals from level-funding to seven percent or greater cuts and no capital requests. In the end, against the advice of the finance committee, annual town meeting approved the FY04 budget with a deficit of \$129,062. To resolve this deficit, the town anticipates using free cash and

other reserves at a special town meeting scheduled at the end of October. However, due to the vacancy of the accountant's office, the town has not finalized the closing of its books and submitted its balance sheet to DOR for certification of its free cash. Therefore, the town will postpone action on financial articles until its free cash is certified.

The town has experienced turnover in its financial offices over the past year that has strained the town's financial management capabilities. The town now has a new town administrator, treasurer, tax collector and town accountant. However, with the turnover of these officials, there is an opportunity for the town to review its government on fiscal, operational and organizational levels. As such, the selectmen contacted the Division of Local Services to perform this management review with the hope that it would assist the community in managing as efficiently as possible in the challenging years ahead.

A summary of our findings and recommendations begins below, followed by a more detailed discussion.

Overall Financial Management and Budgeting (page 5) – Charlton has experienced turnover in most of its financial offices which impacted its FY04 budget process. To ensure a smooth process in the future, we recommend that the town administrator be given the authority to coordinate the budget process and that a bylaw be established to codify her role. The town should develop a budget calendar beginning with the town administrator presenting estimates of revenues and fixed costs in the fall to the selectmen and finance committee. Then guidelines should be developed and budget requests worksheets and documents should be sent to departments. The town administrator should prepare the first draft of the town-wide budget for the selectmen's approval to be then forwarded to the finance committee. The finance committee would then make any modifications and present its recommended budget to town meeting. We also recommend that the town adopt a by-law formally establishing a financial team to include all the financial officers and to be chaired by the town administrator.

In light of the town's rapid growth and recent efforts to change two key financial offices to appointed positions, we also believe that as a long-term recommendation the town should seriously consider adopting a home rule charter. The home rule charter process described in MGL Ch 43B, §3-11 involves electing a charter commission to engage in a deliberate and comprehensive review of town government organization that culminates in a vote by the electorate on the charter commission's recommendations. Given the increasing complexity of government and the recent focus on municipal accountability and efficiency, many Massachusetts local governments have moved toward a more centralized structure. In general, in this organizational model, the town administrator (or manager) becomes the focal point, with most department heads reporting to and accountable to the administrator.

Furthermore, we recommend that the town establish the following: a financial reserve policy, a capital planning committee and a multi-year revenue and expenditure forecast. In addition, we recommend that the town refer to DLS' *Enterprise Manual* for proper budgeting of the sewer enterprise fund.

Technology (page 10) – The town’s computer needs are expanding and we recommend that the town commit additional resources to enhance technology support. The town should explore hiring a technology person or sharing someone with another community, or engage in offsite contractual assistance. We recommend that town hall staff receive formal Microsoft Office training in order to use computer systems more efficiently and that new financial officials receive formal training on all modules of the BMSI and Point software. We also recommend that staff make every effort to attend user group meetings and seek assistance from other communities using the same applications. In addition, we recommend that the town establish a backup policy for all users and establish e-mail and Internet policies.

Town Accountant and Financial Service Office (page 13) – There has been a complete turnover of staff in the accountant’s office, the accountant’s position has been vacant for a year, and the town purchased new financial software. As a result, this office has fallen severely behind in closing its FY03 books. We recommend that every effort be made to get the general ledger up to date as soon as possible by creating the general ledger balances for FY03 to be brought forward to FY04. We also recommend that the new part-time accountant and the department assistant receive training on all modules of the new financial software as soon as possible. We also recommend that the accountant’s office prepare monthly expenditure and revenue reports and that the accountant reconciles cash and receivables monthly with the treasurer and collector.

Tax Collector (page 15) - The tax collector receives all property tax, motor vehicle excise, and sewer payments due to the town. During our review, we found that collection procedures should be streamlined to reduce manual operations and rely more on the collection software. We also recommend that interest be charged on overdue sewer accounts, and that the sewer payments be posted by the collector’s office.

Treasurer (page 19) – We found that departmental turnover reports vary in format and provide vague descriptions of the types of receipts reported. We also found that the treasurer does not prepare a treasurer’s receipts report, summarizing the cash taken in during a specific period of time, and that cash reconciliations have not been done. We recommend that the treasurer, in cooperation with the accountant, standardize the departmental turnover reports. We recommend that the treasurer prepare and submit a treasurer’s receipts report to the accountant at least monthly, and that the treasurer and the accountant conduct prompt, monthly cash reconciliations.

Assessing Office (page 21) – The assessing office functions well with a full-time principal assessor, an administrative assistant and a department assistant. However, Charlton only adjusts its values every three years for certification purposes. Therefore, we recommend that the assessing office analyze local real estate market conditions annually and make necessary changes in the assessed values of properties. We recommend that the town consider bringing more assessing functions in-house. The principal assessor and staff are highly experienced and with additional training could rely less on appraisal consultants for valuation-related work. In addition, we recommend that the town hire a part-time data collector who would be responsible for a majority of the fieldwork and cyclical inspection. We also recommend that the assessing office regularly reconcile the overlay account throughout the year with the accountant.

SUMMARY OF REPORT FINDINGS AND RECOMMENDATIONS

1. Overall Financial Management and Budgeting (page 5) – Modify the budget process
2. Overall Financial Management and Budgeting (page 6) – Establish a financial team
3. Overall Financial Management and Budgeting (page 7) – Establish financial reserves
4. Overall Financial Management and Budgeting (page 7) – Institute capital planning and multi-year forecasting
5. Overall Financial Management and Budgeting (page 8) – Properly budget sewer enterprise fund
6. Technology (page 10) – Enhance technology support and centralization
7. Technology (page 11) – Provide training and educational opportunities
8. Technology (page 12) – Develop user information guidelines and policies
9. Town Accountant and Financial Service Office (page 13) – Maintain the general ledger
10. Town Accountant and Financial Service Office (page 14) – Prepare reports
11. Town Accountant and Financial Service Office (page 14) – Reconcile cash and receivables
12. Tax Collector's Office (page 15) – Improve collection procedures
13. Tax Collector's Office (page 16) – Sewer enterprise billing and collections
14. Treasurer's Office (page 19) – Standardize departmental receipts reports
15. Treasurer's Office (page 19) – Prepare treasurer's receipts report and cash reconciliations
16. Assessing Office (page 22) – Maintain current values
17. Assessing Office (page 22) – Increase self-sufficiency
18. Assessing Office (page 23) – Reconcile overlay balances frequently

OVERALL FINANCIAL MANAGEMENT & BUDGETING

Charlton's government is organized under a combination of state statutes and local by-laws. The selectmen are a part-time, five-member board that is the chief policy making body of the town. For day-to-day management responsibilities, the town employs a full-time, professional town administrator under the provisions of MGL Chapter 41 §23A. The town also has an appointed seven-member finance committee that is responsible for considering and making recommendations on all warrant articles presented to town meeting. The most important of these articles is the annual town budget.

The town's budget process generally begins in late January. The town administrator sends out a memo to all town departments, boards and commissions with attached forms for budget requests. Budget requests are due to the town administrator by mid-February. At about this time, the town administrator and accountant prepare the preliminary revenue estimates, which are updated as new information becomes available. Between February and May, the selectmen and finance committee hold joint budget hearings. After the hearings, the finance committee develops its recommendations for town meeting approval. The town administrator provides assistance to the finance committee, coordinates the process, prepares analyses upon request, and keeps them updated on changes.

FINDING 1: MODIFY THE BUDGET PROCESS

During this past year's budget cycle, the selectmen took a greater role in the budget process and at town meeting the finance committee and the selectmen had two separate budgets to present. After discussions with town counsel this issue was resolved in favor of the finance committee. It is the primary responsibility of the finance committee to make recommendations on all financial matters, including the budget, to town meeting. However, it should be the responsibility of the town administrator to coordinate the budget process. In addition, there should be participation by the selectmen throughout the budget process and they should monitor the budget throughout the fiscal year.

RECOMMENDATION 1: MODIFY THE BUDGET PROCESS

We recommend that as the town's chief administrative officer, the town administrator be given the authority to coordinate the budget process and prepare the first draft of the budget for the selectmen and finance committee. The steps of the budget process should be as follows:

- The town administrator should develop a budget calendar to outline the timeframe for each phase of the budget process and the responsible party and also include specific deadlines. The town should also consider starting its budget process earlier (Nov. or Dec.) than it currently does.
- The town administrator, with the assistance of the financial officers, should determine preliminary estimates of revenues and fixed costs. Because municipal budgets are revenue driven, an estimate of projected revenues should be done at the beginning of the budget process. An estimate of fixed costs is also important in order to have a general idea of what is available for discretionary spending.

- The town administrator presents the preliminary estimates of revenues and fixed costs at a joint meeting of the selectmen and the finance committee. A general consensus on budget guidelines for department requests should be determined and budget request worksheets and documents should be sent to departments.
- The town administrator prepares a draft of a town-wide budget document for the selectmen's approval to be then forwarded to the finance committee. The town administrator should seek the assistance of the financial team (see following finding and recommendation) to gather and analyze financial information to prepare the town's budget. In addition, the town administrator should communicate to the policymakers any information provided by the financial team.
- As new information becomes available, the budget should be revised. Communication between the town administrator, financial team, selectmen and finance committee should be ongoing throughout the budget process.
- The finance committee will continue to review and refine the budget with the final step being the presentation of the finance committee's recommended budget to town meeting.

We recommend that the town establish a bylaw to codify the town administrator's role in the budget process. The proposed bylaw should describe the town administrator's role in the budget process so that even if personnel or board members change, the process does not.

FINDING 2: ESTABLISH A FINANCIAL TEAM

The town administrator supervises the selectmen's office and appointed department heads. She assists the selectmen with the development and administration of policies and informs the board about the effectiveness of policies. She attends all meetings of the board of selectmen, assists in preparing the agenda and keeps the board informed concerning matters affecting the town. The town administrator coordinates the preparation of department budgets and is required to keep the selectmen informed concerning the fiscal condition of the town.

During the FY04 budget process, the town administrator prepared the budget proposal and revenue estimates with some assistance of the former accountant. Since then, budget activities have been done by the town administrator with little assistance of the town's financial officers.

RECOMMENDATION 2: ESTABLISH A FINANCIAL TEAM

We recommend that the town adopt a by-law formally establishing a financial team to include all the financial officers and to be chaired by the town administrator. The group should meet at least monthly and more often as necessary throughout the year. The purpose of the financial team would be to assist the town administrator in compiling comprehensive financial information from a variety of sources to assist the town's policymakers in their decision-making process. The team can help develop financial analyses, explore the financial impact of future events and offer early strategies to deal with anticipated problems. It would provide input into the town's cash flow analysis, including the timing of major purchases and the issuance of new debt. Collectively, this committee should review financial documents (e.g., revenue and expenditure reports, balance sheet, audits, tax recapitulation

sheet and town share costs for the schools) for completeness and accuracy. This information would provide a comprehensive picture of the town's financial health at any point in time. More importantly, the financial team's participation in general financial and budget activities would ensure that more than one person knows all facets that need to be gathered, analyzed, and monitored continually. Hence, the financial team would provide institutional continuity in the event any one of the town's financial officials left.

FINDING 3: ESTABLISH FINANCIAL RESERVES

Once a community sets its property tax rate, it has limited sources of revenue to fund extraordinary or unforeseen expenses. For this reason, many communities have financial reserves such as free cash and a Stabilization Fund. As of this writing Charlton has \$63,500 in its Stabilization Fund (per the accounting office) and the town has not had its FY04 (based on a 7/1/03 balance sheet) free cash certified by the Bureau of Accounts. Historically, Charlton does not appropriate funds into its Stabilization Fund annually to build up the balance and the town uses its free cash to balance the budget at a special town meeting each fall. Positive free cash is generally attributed to three factors: revenues in excess of estimates, budgetary turnbacks, and collection of receivables. The use of this nonrecurring revenue for recurring operating expenses is not a prudent policy. In addition, bond rating agencies recognize the vulnerability of communities with few reserves and consider this lack of flexibility a negative factor when rating these communities. Moody's Investor Service determined Charlton's bond rating as of June 2003 as Baa2 which is only marginally above the lowest rated communities in Massachusetts.

RECOMMENDATION 3: ESTABLISH FINANCIAL RESERVES

We recommend that the town establish a financial reserve policy. A formal reserve policy will allow the town to establish a practice of appropriating money to legal reserves for future needs. The town can also pursue policies to build its free cash balance such as estimating local receipts conservatively and not spending appropriation balances before year-end. Appropriations to reserves should be considered annually as part of the budget process and appropriations from reserves should be made for unanticipated or capital costs. Use of reserves for regular operating expenses should generally be avoided. Reserves are designed to allow a community the flexibility to review and correct its problems over the long run and plan for its future.

FINDING 4: INSTITUTE CAPITAL PLANNING & MULTI-YEAR FORECASTING

A capital plan was prepared in February 2002 by the former town administrator, which lists capital projects by department beginning with FY03 and extending through FY08. However, because of limited funds available, the town has not been funding capital requests and the plan has not been reviewed or updated. Also, the town does not prepare a multi-year revenue and expenditure forecast. A forecast is a financial planning tool that can be useful in revealing budget problems and formulating long-range financial plans including capital improvements.

RECOMMENDATION 4: INSTITUTE CAPITAL PLANNING & MULTI-YEAR FORECASTING

We recommend that the town establish a capital planning committee to develop a comprehensive capital plan and submit an annual capital budget to the finance committee and town meeting. To ensure that the capital budget is integrated with the operating budget, the town administrator should serve as ex-officio member of the committee. The town can create this committee through the adoption of a town by-law (MGL Chapter 41 §106B).

The capital planning committee should develop a multi-year capital plan and annual capital budget for all town departments. These documents should: (1) prioritize the various proposed capital projects; (2) estimate project costs; and (3) list the proposed method of payment (current revenue, debt or debt excluded from the limits of Proposition 2½ for each project). 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 essential capital needs that may be deferred due to financial constraints. For further information, the town can refer to the Department of Revenue's workbook: "Developing a Capital Improvement Plan" which can be found on the DLS website at www.dls.state.ma.us/publics.htm.

We also recommend that the town develop a multi-year revenue and expenditure forecast. The town administrator, with assistance from the financial team, should produce this forecast. This forecast should be between three and five years and will help the selectmen and finance committee to evaluate budget requests and to develop long-range financial plans. Used in conjunction with a well-developed capital plan, multi-year forecasting will also assist in capital funding decisions.

FINDING 5: PROPERLY BUDGET SEWER ENTERPRISE FUND

The town of Charlton has an enterprise fund for its sewer operations. An enterprise fund, as explained in DLS' *Enterprise Fund Manual* (www.dls.state.ma.us/publics.htm), establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services. At year-end, the enterprise fund's performance is measured in terms of positive and negative operations. Retained earnings of an enterprise fund are based on the fund balance (that includes all revenue collections such as user fees and betterments) net of any charges or reservations against it, which is certified as an available fund after the submission of a June 30th balance sheet to DLS.

At the spring annual town meeting, Charlton approved the sewer enterprise budget (Article 11). Included in the article, the town voted to use prior year betterment revenues to reimburse the general fund for prior year sewer debt. Prior year betterments are general revenues of the enterprise fund that must be closed out at year-end. Assuming the enterprise has positive operating results, these betterments will be reflected as part of the retained earnings. Once retained earnings are certified (similar to free cash), they may be appropriated only for expenditures relating to the fund. At the time of the vote, the town had retained earnings of negative (\$49,579). Therefore, since there was nothing available to fund the appropriation and prior year betterment revenues were not a separate revenue source in the enterprise fund, the vote was invalid. The town was informed of this during one of our field visits.

RECOMMENDATION 5: PROPERLY BUDGET SEWER ENTERPRISE FUND

We recommend that the town use retained earnings only when they are certified by DLS to be positive. The use of funding sources not certified by DLS or with a negative balance will invalidate the action of town meeting. To correct this, the town will be required to revote the article at a subsequent special town meeting, possibly delaying the tax rate setting process.

We also recommend that the town discontinue the practice of recognizing enterprise fund revenue collections separately. Various revenue collections are not separate funding sources within the enterprise fund. Unless revenues are restricted by a grant agreement, they are all general revenue and must be closed out at year-end.

TECHNOLOGY

The town of Charlton is in the process of improving its existing technology and expanding it to all departments townwide. A five-member technology committee made of department personnel meets regularly to assess the town's technology needs and discuss options available to the town.

There are approximately 30 personal computers (PCs) in town hall and several of them are stand-alone. Most of the computers have Windows 98 and the financial offices use three separate financial software systems. The assessing office uses a computer assisted mass appraisal (CAMA) system to value and manage real estate property accounts. The collector's office uses the Point Software system to bill and collect taxes, to issue demand bills and to prepare municipal lien certificates. The accountant's and treasurer's offices use the Business Management Systems Inc. (BMSI) financial software.

Within the town, there are currently three independent Local Area Networks (LANs): the fire department, police department, and between the assessing office and tax collector's office. There is a fourth network that is a peer-to-peer network between the accountant's office and town administrator's office to share the BMSI software. The treasurer's office will eventually be connected to this network as well, enabling the automated transfer of receipts to the accountant. The town also has plans to connect these four networks as well as the remaining stand alone systems via a Wide Area Network (WAN). The building commissioner along with other town officials will be involved in the process and once networked, offices will have the ability to share and electronically transfer data.

There are only a few offices with Internet access and they have to use either cable modems for dial up service or fax machine lines. However, there is a Masonic home in town that has offered Internet access to the town through their facility at no cost. This will require that the town, in cooperation with the Masonic home, build a virtual private network (VPN). The Masonic home has donated equipment to the town for the connection by a wireless link. The connection is scheduled to be complete this fall and when connected, the town hall computers will have high-speed access to the Internet.

The town has a website that is handled by an outside vendor. Departments can go through the selectmen's office to submit updates to the website or they may contact the vendor directly. The vendor verifies direct requests with the town administrator.

FINDING 1: ENHANCE TECHNOLOGY SUPPORT & CENTRALIZATION

The town does not have a central management information systems (MIS) person to coordinate computer activities, to provide support/training, or to purchase equipment, software applications and supplies. When users experience problems, either the building commissioner or principal assessor, who serve on the technology committee, provide support, which often takes them away from their primary responsibilities. Unfortunately, lack of time or knowledge may prevent them from resolving some issues. It has been reported to us that when the building commissioner or principal assessor are unable to resolve an issue, users will often resort to the yellow pages and randomly select a computer consultant for assistance, depending on departmental funding. Based on the experience of

other communities, we would expect the need for computer systems support to further escalate in Charlton as the town expands its computerized systems.

RECOMMENDATION 1: ENHANCE TECHNOLOGY SUPPORT & CENTRALIZATION

We recommend that the town commit additional resources to enhance technology support. The technology coordination and planning should be more centralized rather than having each department handle their own technology matters. The town should explore ways to increase technology support such as hiring a person with a strong technology background. This individual would monitor systems, provide network and software support, install upgrades, provide in-house training and arrange training sessions with outside experts. This person would also assist in the analysis and purchase of new technology for departments and be the single point of contact with vendors. The technology committee can assist this person by assessing immediate and future needs and developing a plan for improvements and upgrades. However, due to budget constraints, it may not be practical for the town to create a new position with benefits, therefore the town will have to consider other options.

An alternative is to engage in offsite contractual assistance. Many communities use a consultant to provide basic maintenance and support tasks on a specified hourly or part-time basis. Additional options may be to share a technology person with another community or explore contractual services through DLS's CAMA software consortium. In order for the town to move forward with its technology, it is necessary to increase technology support to make each office function more efficiently.

FINDING 2: PROVIDE TRAINING AND EDUCATIONAL OPPORTUNITIES

Based on discussions with department staff, many individuals have had little or no training on Microsoft Office products available on their systems. Without proper instruction on these software applications, town offices continue to keep some manual records and/or re-key data transferred among offices. For example, the former treasurer maintained a manual cashbook. Recently, the accounting assistant helped automate the cashbook on an Excel spreadsheet for FY04. However, the treasurer's clerk has not had training on Excel and is still keeping a manual ledger.

We also found that when the town purchased the Point and BMSI financial software, some staff received basic training, but no advanced or subsequent training. With the new personnel over the last year, many will need basic training and should receive additional training on the various modules available on the applicable systems.

RECOMMENDATION 2: PROVIDE TRAINING AND EDUCATIONAL OPPORTUNITIES

We recommend that the town hall staff receive formal Microsoft Office training. With formal training along with ongoing refresher courses, staff members will become more familiar with applications and will be able to organize records, automate report data using spreadsheets, and share information without the need to re-key it. Departments would then be able to discontinue the practice of preparing reports manually.

We recommend that the new financial officials receive formal training on all modules of the BMSI and Point software. With proper training, staff can use these applications to their fullest, making it easier for staff to perform their responsibilities.

We also recommend that the staff make every effort to attend user group meetings when available and seek assistance from other communities using these applications. Staff should obtain as much information as possible from user group meetings and users in other towns.

FINDING 3: DEVELOP USER INFORMATION GUIDELINES AND POLICIES

The collector's Point Software resides on the assessors' server that is consistently backed up. However, this isn't a common practice throughout town hall. The network on which the BSMI software resides is backed-up infrequently according to the accounting office. Also some users store vital information on the hard drive of their PC which may or may not be backed-up. By failing to consistently back-up computerized systems, users run the risk of losing important and potentially sensitive information if the PC crashes or becomes infected with a virus. According to town officials, once the WAN is operational, all computers, existing networks and stand alone PCs, will be connected to a centralized server that will be backed-up daily.

RECOMMENDATION 3: DEVELOP USER INFORMATION GUIDELINES AND POLICIES

We recommend the town establish a backup policy for all users. Once the WAN is fully functioning and employees have received training, all data vital to the operations of town departments should be backed up to the network. If a staff member chooses not to backup work stored on a PC to the network, the town should develop instructions on how often a backup should be performed and where the information should be stored.

We recommend that the town establish e-mail and Internet policies. It is advisable to develop a written guideline outlining the proper and allowable use of e-mail and Internet applications. The town could contact their counterparts in other communities that have established these written policies for examples.

TOWN ACCOUNTANT & FINANCIAL SERVICE OFFICE

The office's primary responsibility is to maintain the town's general ledger and to perform the accounting functions, including preparing warrants, producing trial balances and expenditure reports, and reconciling cash and receivables with the treasurer and collector.

The office had been staffed by a full-time accountant, chief procurement officer, and a department assistant. The accountant oversaw the office and maintained the general ledger, the chief procurement officer was responsible for procurement, budgeting, and financial reporting/payroll for the public works departments, and the department assistant prepared payroll and expense warrants along with other office duties. Currently, the office has a part-time accountant and a full-time department assistant. The accountant works eight to 12 hours per week in town hall and is available by phone because he also serves as finance director for another Massachusetts' town.

The former accountant created his own software application to maintain the town's financial records. When he resigned, he printed hard copies of the town's FY03 financial information through October 2002. Without a financial software application, the town began using a combination of Quickbooks and Excel spreadsheets to record and report warrant and expenditure information. In the spring of 2003, the town purchased new financial software called Business Management Systems Inc. (BMSI) with the hope that the town's FY03 financial data could be imported to BMSI from Excel spreadsheets. However, the town discovered that BMSI in fact does not import from Excel spreadsheets and all of the town's financial data would have to be keyed into the financial software. Because it was so late in the fiscal year, the town decided to forego using the BMSI financial software until FY04. All FY04 vendor warrants are being data entered and processed on the BMSI financial software. The town uses an outside vendor to process payroll and has not determined if the information may be electronically imported to BMSI or if it will have to be manually entered.

The accounting office is responsible for implementing the Governmental Accounting Standards Board (GASB) Statement 34. GASB Statement 34 is an accounting and reporting standard that requires all governments to maintain a capital asset and infrastructure inventory, which is reported on the entity's financial statements. In June 2003 the town contracted with a consulting firm to prepare a town-wide fixed asset system based on GASB Statement No. 34. A summer intern for the town assisted the consultants and the project was complete in September 2003.

FINDING 1: MAINTAIN THE GENERAL LEDGER

The general ledger is a permanent record and the major component of the accounting system. It permits recording transactions on a double-entry basis, either in detail or at a summary level. This record is generally supplemented with journals and subsidiary ledgers, however the final record of assets, liabilities, revenues, and expenditures will be found in the general ledger.

The town does not have a general ledger for FY03 or FY04 due to the combination of computer and staffing issues. Without a general ledger, the town cannot account for expenditures and revenues, verify cash and accurately budget. The consultant is in the process of creating the FY03 general ledger on a stand-alone software application. Once the FY03 ledger is completed, the town will have

opening balances to input into the BMSI software for the FY04 general ledger, but the payroll expenditure information still needs to be entered for FY04.

RECOMMENDATION 1: MAINTAIN THE GENERAL LEDGER

We recommend that every effort be made to get the town's general ledger up to date as soon as possible. It is very important that the general ledger be maintained and kept up to date because it is the basis from which appropriations and revenues are monitored and various financial reports are prepared. Without a general ledger, the town is unable to manage and safeguard its resources, determine its financial position or get the town's free cash certified.

FINDING 2: PREPARE REPORTS

The former town accountant prepared expenditure and revenue reports monthly. However, with the changes in staffing and computer software, only departmental expenditure reports were produced on Excel spreadsheets during most of FY03. Currently, the department assistant can produce expenditure reports for FY04 using the BMSI financial software but they are incomplete because payroll has not been entered into the financial software yet.

RECOMMENDATION 2: PREPARE REPORTS

We recommend that the accountant's office prepare monthly expenditure and revenue reports once issues with the general ledger are corrected. According to MGL Ch. 41 §58, the accountant must prepare a monthly report for each officer or department head showing the total appropriations, expenditures, and the balance in each appropriation. While revenue reports are not legally required, they can provide useful management information for the town's policymakers. These reports provide essential information to monitor the financial performance of the town, to analyze the underlying causes of any shortfalls, excesses and one-time receipts, and to make necessary mid-course budget adjustments.

FINDING 3: RECONCILE CASH AND RECEIVABLES

Regular cash and receivable reconciliations between the accountant's office and the treasurer's and collector's offices have not been done because of the lack of staffing and the computer issues. The reconciliations need to be done for FY03 so the town can close its books and submit the balance sheet for certification of free cash.

RECOMMENDATION 3: RECONCILE CASH AND RECEIVABLES

We recommend that the accountant, treasurer and collector reconcile cash and receivables monthly. Regular reconciliations of cash and receivables are essential to the system of checks and balances in local government. Regular reconciliations enable these offices to verify that revenues reported and resulting receivable balances are accurate, thereby ensuring the cash and assets of a community are safeguarded. As a practical matter, frequent reconciliations make it easier to locate and correct posting errors and exceptions, as well as minimize the work needed to prepare annual reconciliations required for free cash certification by the Bureau of Accounts.

TAX COLLECTOR'S OFFICE

The tax collector's position is a full-time, elected position and the current tax collector was elected in May 2003. Her predecessor had been the town's tax collector for 20 years. The town is currently awaiting special legislation that town meeting approved to make the elected tax collector position an appointed town collector responsible for all payments due the town. The office is budgeted for a senior clerk (28 hrs/week) and a clerk (18 hrs/week). The senior clerk has 15 years experience and the clerk recently resigned due to health reasons. The office is open Monday through Thursday 8:00 a.m. to 3:00 p.m. and closed on Fridays. The staff work on Fridays 8:00 a.m. to 12:00 p.m. to catch up on work without interruptions.

The tax collector's office is responsible for collecting approximately 6,000 property tax bills quarterly and 12,000 motor vehicle excise bills annually. These payments are received from escrow companies¹, by mail and over the counter. The collection staff print, stuff and mail the property tax bills. Senior citizens help fold and stuff the bills as part of the property tax work-off program for taxpayers over 60 years old. The motor vehicle excise bills are printed in the assessors' office but in the future will be printed by the deputy collector as part of the service. The office also prepares about 100 municipal lien certificates per month due to the recent low interest rates.

This office uses the Point system for billing and collecting activities. The town has purchased the following modules from Point software for the tax collector's office: tax billing and collections, motor vehicle excise collections and municipal lien certificate and tax title preparation. The collector's staff enter and post payments in the system but are not using the system to produce reports.

The town uses the services of a deputy collector for delinquent motor vehicle excise. The town gives him a list of taxpayers with outstanding balances. He completes online license and registration markings for non-renewal status with the Registry of Motor Vehicles. He deposits all receipts into a town account and prepares weekly turnover reports.

The town adopted a temporary tax amnesty program (Municipal Tax Amnesty Program) during 2003 (Chapter 4 §73 of the Acts of 2003). Taxpayers can receive a waiver of 100 percent of the total accrued interest, collection costs and penalties owed on any delinquent real estate tax liabilities assessed for FY98 through FY02. In order to receive the waiver, the taxpayer must pay the outstanding amount in full between September 2nd and October 30th, 2003. The town hopes to collect approximately \$300,000 in outstanding real estate taxes.

FINDING 1: IMPROVE COLLECTION PROCEDURES

When the tax collector's office receives over the counter payments, the person accepting the payment marks the amount and type of payment on the bill (i.e., cash, check, combined payment, third party payment). The cash or check and the bill are put into a cash drawer that is kept in the office safe because there isn't space at or near the counter for the cash drawer. Then either the tax collector or senior clerk pull the cash and checks from the drawer and use an adding machine to prepare a tape of what they have received. They prepare a second tape to total the payment information they have

¹ The collector estimates that about half of the real estate payments are made electronically by escrow companies.

marked on the bills and check to make sure the two tapes match. One of the tapes is kept with the checks and cash, the other is kept with the bundle of paid bills, and then everything is put back into the safe.

Subsequently, either the tax collector or senior clerk will prepare a bank deposit which is kept in the safe until the tax collector can go to the bank, usually three times per week and more often during heavy collection periods. These deposits are posted to a manual collector's cashbook and deposited to the collectors' bank account until a weekly report and check are turned over to the treasurer. As time allows, the tax collector removes the paid bills from the safe, sorts them by type of bill and numerically and assembles them into batches for posting. It usually takes two to three days after a payment is received until it is posted into the system. Once posted to the Point system, the staff print a report to document the activity entered. Presently, the office does not have any procedures to periodically cash out the drawer to match the contents against reported activity on the Point system.

RECOMMENDATION 1: IMPROVE COLLECTION PROCEDURES

We recommend that collection procedures be streamlined to reduce manual operations by relying more on the collection software. The staff should make every effort to post over-the-counter payments into the Point system at the time of receipt. It is our understanding that the office now has scanning devices to aid in this process. At the end of the day, batch reports of receipts entered into the Point system should be generated and compared to a tape with the total of the checks for the same batch. If they match, entries can be permanently posted, money is ready to be deposited, a detailed turnover report can be prepared and receipts can be recorded in the collector's cashbook. If they do not match, the batch report will enable the staff to detect possible posting errors or misclassification of receipts. A time period at the end of the day should be set aside for a staff person to prepare bank deposits and reconcile totals with Point receipt reports. As a control, we recommend that the person responsible for preparing bank deposits should not be collecting cash. However, due to the current staffing issues this may not be possible.

FINDING 2: SEWER ENTERPRISE BILLING AND COLLECTIONS

Charlton has a water and sewer department that is overseen by an independently elected five-member commission. The need to create a water department resulted in part from contamination at an Exxon facility at the Massachusetts Turnpike Authority (MTA) service area in the 1990s, which polluted about 200 residents' wells. Charlton issued debt to construct water lines and planned to purchase water resources from the town of Oxford. However, the Water Resources Commission (WRC), a branch of the state's Executive Office of Environmental Affairs has determined that the projected water draw for this area is not an insignificant amount. Therefore, Charlton will have to apply to the WRC for an interbasin permit to obtain water from Oxford. It is estimated that the agreement could run the town about \$450,000, which it does not presently have. Consequently, Charlton currently has dry lines and Exxon paid for the water service line via the town of Southbridge to the affected properties. The town has also built a sewer treatment plant and sewer lines to service some residents and the MTA service areas in Charlton.

To account for these two operations, the town adopted enterprise accounting for water (FY99) and sewer (FY94) operations. Currently, the water department is subsidized entirely by the general fund while the sewer department revenues cover a majority of its costs. The sewer operation has about 400 active user accounts that are billed quarterly by the sewer department using its own Point software system. The town has established a uniform fee rate structure based on the type (i.e., residential, public institution, or commercial) and size of each users' property. The sewer department also has assessed about 1,260 potential system users a betterment charge to pay roughly half of the construction cost of the system².

The tax collector's office receives sewer payments by mail and over the counter, issues receipts, and turns over the funds to the treasurer for deposit. However, the collector does not post payments to customer accounts. Instead, the collector sends the bills along with a report indicating the total amount collected to the sewer department for posting to its Point system. The tax collector's office keeps copies of the bills and gives copies to the treasurer. Having more than one department responsible for the sewer payments is not an advisable practice. More importantly, without adequate separation of duties-one office committing the charges and the other collecting all the payments-the community loses an important check and balance that may compromise financial control. In addition, because the collector's office does not have access to customer account information, it must rely on the sewer department to provide outstanding balances when a municipal lien certificate is prepared.

According to town officials, it is their expectation that the sewer department's direct operating and some indirect costs (net of debt service) be recovered by the user charges. Based on this assumption, the town annually budgets the sewer department budget based on estimated user fees. Unfortunately, since FY97, the sewer department has often ended the fiscal year with an operating deficit and/or negative retained earnings or surplus (see Table 1 below). This appears to be the result of two factors, late billing and late payments.

Table 1
Sewer Enterprise Fund

FY	Operating deficit (6/30) raised	Retained earnings (7/1)
1997	92,875	0 ³
1998	46,606	-29,889
1999	0	177,984
2000	22,636	-547,074
2001	0	-4,547
2002	80,032	-49,579
2003	n/a	n/a

² The balance of the debt service is to be paid with a debt exclusion subsidy.

³ While the town operated an enterprise fund, it did not report the retained earnings certified by the Bureau of Accounts.

According to the sewer department records, bills have not been issued timely or consistently. In FY03, the town issued 45 sewer commitments, one-third of which were for late FY02 billings. The excessive number of commitments is because the billing software system was not set up correctly. To resolve this, the sewer department staff has spent an inordinate amount of time going through the records to correct accounts, to charge active users that have never been billed, and to issue most bills timely. From time to time, they also issue special commitments when a property changes hands and a last pro-rated bill must be prepared. The sewer department hopes the vast majority of the problems have been corrected and that they will be able to issue quarterly sewer bills timely beginning in FY04.

Even if the town is able to issue the sewer bills timely, there still is a problem of late payments. According to the sewer department records, many past due sewer bills remain as receivables on the town's books for a period greater than a year. It appears users do not pay on time, in part, because the town does not possess authority to assess interest charges on outstanding sewer accounts. According to sewer records, the town's sewer user charges rate of collection in the year of commitment was only 84 percent in FY03. These poor collections affect the year-end operating results, which have contributed to the operating deficits and negative certified retained earnings.

RECOMMENDATION 2: SEWER ENTERPRISE BILLING AND COLLECTIONS

The town should establish a bylaw to charge interest on the overdue sewer accounts (MGL Chapter 40, §21E). This would require town meeting to establish due dates (i.e., 30 days after mailing date) and set an overdue interest rate not to exceed 14 percent annually. If a sewer bill remains unpaid, sewer liens should be established upon the real estate during the following fiscal year. However, in order to do this the town will have to accept MGL Chapter 83 §16A – 16F and file a certificate of acceptance with the registry of deeds.

The collector's office should post sewer collections to the Point system. A town collector should collect and process all amounts due the town after receiving a formal commitment from a department. This would require the collector's office to post sewer payments received to the appropriate customer's account, ensuring payments are posted when received rather than the current practice of forwarding bills to the sewer department for postings.

TREASURER'S OFFICE

The treasurer's position is elected and the current treasurer was newly elected in May of this year. The treasurer's staff includes a part-time (28 hours/week) department assistant who has worked in this office for 15 years. The office is responsible for cash management, including the investment, disbursement and borrowing of cash. The town uses the services of a vendor for payroll. The department assistant inputs payroll information from the weekly timesheets into the vendor's system for processing. The checks are received from the vendor on Thursday and distributed to departments on Friday. The treasurer also administers health insurance and other related benefits. The office hours are Monday, Tuesday and Wednesday 8:30 a.m. to 3:30 p.m., Thursday 8:30 a.m. to 12:30 p.m. and Friday 8:30 a.m. to 11:30 a.m.

Like the collector's office, the treasurer's office is awaiting special legislation to make the treasurer's position appointed. Until the current treasurer is certain that she will be appointed to the position, she is working elsewhere full-time in addition to fulfilling her duties as treasurer. Therefore, the department assistant has been managing the day-to-day operations of the office, covering the office hours, while the treasurer generally works evenings and weekends, reviewing office activities and signing checks.

FINDING 1: STANDARDIZE DEPARTMENTAL RECEIPTS REPORTS

Departments turnover all receipts with a detailed report, weekly or at least monthly. Departmental turnover reports vary in format and provide vague descriptions of the types of receipts reported. However, some departments have customized their own forms on spreadsheets. The treasurer reviews each turnover, verifies the revenue source and deposits the funds in the bank.

RECOMMENDATION 1: STANDARDIZE DEPARTMENTAL RECEIPTS REPORTS

We recommend that the treasurer, in cooperation with the accountant, standardize the departmental turnover reports. For each department, a turnover sheet should be created in an Excel spreadsheet that clearly lists all the revenues handled by that department or board, including a brief description, operating fund and the revenue account codes. These reports will enable the treasurer and accountant to process the information quickly without having to inquire with a department or board as to the source of the funds.

FINDING 2: PREPARE TREASURER'S RECEIPTS REPORT & CASH RECONCILIATIONS

During our review, we found that the treasurer's office does not prepare a treasurer's receipts report, summarizing the cash taken in during a specific period of time (MGL Chapter 41 §35). Instead, the treasurer provides the accountant with photocopies of the cashbook. Additionally, the treasurer has not been reconciling cash with the accountant. Without these management activities, the offices are not able to properly account for or verify revenues.

RECOMMENDATION 2: PREPARE TREASURER'S RECEIPTS REPORT & CASH RECONCILIATIONS

We recommend that the treasurer prepare and submit a treasurer's receipts report to the accountant at least monthly. Based on departmental turnovers, a report summarizing revenue sources by department and fiscal year should be prepared for reporting purposes. Using this report, the accountant reconciles the revenues with his copy of departmental turnovers, verifying that all revenues are properly accounted for and input in the town's financial records.

We also recommend that the treasurer and the accountant conduct prompt, monthly cash reconciliations. After the monthly closing, the treasurer should internally reconcile the cashbook with all bank statements and externally reconcile the cashbook with the accountant's general ledger. Prompt and frequent reconciliation is essential in order to maintain control over cash.

ASSESSING OFFICE

The assessing office is staffed by a full-time principal assessor, an administrative assistant and a department assistant. The staff works under the general supervision of an elected, part-time, three-member board of assessors. The assessing office is responsible for maintaining assessment data on approximately 5,600 real estate parcels, 600 personal property accounts, 12,000 motor vehicle excise accounts and 900 betterment accounts. In addition, the office processes approximately 40 abatements in a non-revaluation year and 100 in a revaluation year. The office also processes approximately 55 exemptions, 700 deed changes, and 450 building permits annually. The office is open to the public four days a week and closed on Friday, allowing the staff to work without interruption.

The principal assessor has her Massachusetts Accredited Assessor (MAA) designation and has held her position for 11 years. She manages the office, maintains the town's assessment records on a computer assisted mass appraisal (CAMA) system and oversees the appraisal consultants. She performs fieldwork inspecting all sales and building permits and also performs inspections for the cyclical reinspection program. The last full interior and exterior reinspection of properties was performed between 1995 and 2002. The next cyclical reinspection program is expected to be complete in 2009. The principal assessor determines property values and compiles the property tax commitment. She also prepares timely DOR required filings including new growth reports, sales reports and the classification tax allocation report. The principal assessor works with the accountant to prepare and submit a timely tax rate recapitulation sheet with adequate backup documentation.

The administrative assistant has worked for the town for eight years. She data enters all property information and building sketches on the CAMA system, processes deed transfers and handles all abatement and exemption applications. The department assistant has worked for the town for 4 ½ years and handles all motor vehicle excise accounts, sewer betterments and updates the personal property database. Both the administrative assistant and department assistant respond to public inquiries.

The town uses a CAMA system to manage its property database. There are three personal computers connected to the CAMA server for staff use and one stand-alone computer located on a counter outside of the office for public viewing of property information. The personal computers have Microsoft Office software products installed and the collector's Point Software financial application, enabling the assessing staff to directly enter abatements and exemptions granted. The property tax commitment information, however, must be sent to Point Software to be converted and then loaded on the collector's system.

The town hires appraisal consultants to perform triennial revaluation work. Every three years, the town of Charlton appropriates approximately \$40,000 for this consulting service. This includes performing a full field review of properties comparing data on the property record cards to views of each parcel from the street to ensure valuation consistency and uniformity. It also includes analyzing sales and income and expense statements, updating land schedules and building tables, and valuing all real properties and personal property accounts.

FINDING 1: MAINTAIN CURRENT VALUES

Annually, the principal assessor inspects properties for the town's cyclical re-inspection program. The last full cyclical re-inspection program was completed in FY02. A cyclical re-inspection program involves completing an interior and exterior inspection of all town property over a multi-year period, not to exceed nine years. This program allows the town to maintain the most current property database, making sure all taxpayers are assessed fairly and minimizing the number of abatements granted. A cyclical program is also advantageous since it allows a community to spread a substantial workload and cost over a multi-year period.

With up-to-date property data and current sales information, the assessing office should make it a practice to analyze the information and make interim year value adjustments, fulfilling state requirements to maintain full and fair cash values of all properties annually. Currently, Charlton adjusts its values only for recertification purposes every three years. The assessors may undertake and complete a valuation adjustment program based on a detailed analysis of sales data and income & expense statements annually. This is called an interim year adjustment. Failure to make interim year adjustments that reflect changes in the real estate market may cause inequities among property classes. When values are not annually updated and there is an appreciating real estate market, taxpayers are often shocked when their community is re-certified in the third year. In a declining market, this lack of flexibility can cost a community a considerable amount of property tax revenue when the assessors grant abatements. Beginning in FY05, all communities will be required to submit an annual filing of the "Interim Year Adjustment Report," showing the community has done a review to determine whether adjustments are warranted.

RECOMMENDATION 1: MAINTAIN CURRENT VALUES

We recommend that the assessing office analyze local real estate market conditions annually and make necessary changes in the assessed values of properties. By carefully monitoring changes in the market and promptly reflecting them in the annual valuation base, the assessing office may ensure equity between and among property classes. In addition, maintaining current property data may have the direct benefit of reducing the number of abatements or increasing new growth.

FINDING 2: INCREASE SELF-SUFFICIENCY

The principal assessor is a highly experienced professional. The principal assessor measures and lists new and improved properties, inspects sale properties and performs cyclical re-inspections. The community also has a CAMA system on which the community may produce in-house generated values with or without the assistance of contractors. In addition, the administrative assistant has eight years experience in this office and with additional training could perform more activities of the office such as producing the required DOR reports. Yet, despite these resources, the assessing office relies on appraisal consultants for most if not all valuation-related work, which results in the office giving up a degree of management control.

RECOMMENDATION 2: INCREASE SELF-SUFFICIENCY

In order to increase self-sufficiency and local control of the town's valuation process, DOR recommends that the town consider bringing more assessing functions in-house. With the recent cuts in local aid and the declining fiscal environment, the town may want to consider assuming more responsibility within the office. Given proper planning, training and support, the assessing office could implement in-house assessment administration with less contractual assistance in the next few years.

To accomplish this, the principal assessor would develop a 2-4 year plan. Immediately, the principal assessor would do the interim year property adjustments, possibly retaining some consulting services to assist. This would include analyzing sales data to gauge the local market, reviewing recollected data, reviewing commercial/industrial income and expense data and updating personal property accounts. The principal assessor may then use this valuation data to update the land, cost, and depreciation tables that drive the mass appraisal system. For the FY05 recertification, she would work closely with the consultant to learn what is involved (i.e., analysis, land schedules and building tables) to prepare residential values in-house. With proper planning and training, the principal assessor could prepare the residential values in-house by FY08 and hire a consultant for the other values. Also as part of the plan, the principal assessor would provide the administrative assistant with additional training to produce the required reports for DOR. This would allow the principal assessor more time for review and analysis.

In order for the principal assessor to focus her attention on data quality, review and analysis, the town should hire a part-time data collector who would be responsible for a majority of the fieldwork and cyclical inspection. Given the size of the community, Charlton should be able to secure the services of a data collector with appraisal knowledge for between \$4-6,000/year. While this position will increase the town's operating expenses, performing more assessing work in-house could reduce the town's revaluation costs between \$20-25,000 and enable the assessing office to be more directly accountable for producing property values.

FINDING 3: RECONCILE OVERLAY BALANCES FREQUENTLY

Annually, the assessors establish a reserve to fund anticipated tax abatements and exemptions. As abatements and exemptions are granted or Appellate Tax Board cases are settled, the assessing office notifies the collector and accountant. According to officials, the overlay balances are reconciled annually after the close of the fiscal year. To ensure proper checks and balance, the assessing office should periodically reconcile its overlay balances with the accountant's records.

RECOMMENDATION 3: RECONCILE OVERLAY BALANCES FREQUENTLY

We recommend that the assessing office regularly reconcile the overlay account throughout the year with the accountant. At least quarterly, the assessing office should reconcile its overlay balances (by year) with the accountant. If there are any variances, the two offices should meet to determine the source of the difference and make the appropriate adjustments. The assessing office also should keep a simple spreadsheet to track the balance in the overlay account.

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