



Town of Chelmsford

## **Review of Financial Offices**

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Division of Local Services / Technical Assistance Section

May 2014



May 1, 2014

Board of Selectmen  
Town of Chelmsford  
50 Billerica Road  
Chelmsford, MA 01824

Dear Board Members,

It is with pleasure that I transmit to you the enclosed Review of Finance Offices completed by the Division of Local Services for the Town of Chelmsford. We hope this report is helpful to local officials as they plan for the future. As a routine practice, we will forward a copy of the report to the town's state senator and representatives. We will also post the report to our website a week or two after it is released to the town. If we can be of any further assistance, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at [kingsleyf@dor.state.ma.us](mailto:kingsleyf@dor.state.ma.us).

Sincerely,

Robert G. Nunes  
Deputy Commissioner &  
Director of Municipal Affairs

cc: Senator Michael Barrett  
Representative James Arciero  
Representative Cory Atkins  
Representative Thomas A. Golden, Jr.  
Representative David M. Nangle

## Overview

At the request of the board of selectmen, the Division of Local Services completed this review of the financial management operations in the Town of Chelmsford. The intent of this focused study is to comment on the overall fiscal condition of the community and to evaluate the effectiveness of the town's finance-related offices in carrying out their daily responsibilities. In completing this review, we assembled a team which included representatives from the Division's Bureau of Accounts and Local Assessment. Together, we conducted onsite interviews that included the town manager, finance director, town accountant, chief assessor, and their staff. We also reviewed various materials such as the annual audit and management letter comments, reconciliations reports, revenue and expenditure analyses, and the balance sheet and tax recapitulation sheet submitted annually to the Department of Revenue (DOR).

In advance of our first visit, we asked for some background materials to assist with our review. To their credit, the finance director, town accountant, and other department heads quickly responded to our data request by emailing us documentation and other relevant information. We were also directed to the town's website, which enables users to access a number of self-service tools and other important information concerning the town's structure, operations, and committee doings. We found this award-winning site both engaging and helpful in our research for the town.

As part of our due diligence process, we also studied the town's annual submissions to DOR. Looking back over the last three years, local officials receive positive affirmations from our representatives. Documentation necessary for certifying free cash, setting tax rates, and verifying property values was complete and submitted timely. This demonstrates a level of coordination and quality that we attribute to strong communication and a sense of commitment among local officials that compares favorably to other municipalities.

These positive early impressions were further borne out by the auditor's management letter comments and the recent bond rating profile assembled by Standard & Poor's for Chelmsford. The town consistently receives a fairly clean annual audit. The current management letter includes one prior year and four current year comments, which are mostly aimed at the school department for its internal control deficiencies related to, among other areas, the handing of its student activity accounts and payroll processing. On the town side, its single recommendation encourages local officials to periodically review departmental recordkeeping procedures, which we view as a standard management letter finding.

Further highlighting the town's solid financial management practices, Standard & Poor's (S&P) recently raised Chelmsford's credit rating for the second time in just the last two years. Although municipal ratings have risen of late because of an overall shift in the firm's rating methodology, Chelmsford's most recent rating increase to AA+ reflects its strong budgetary flexibility,

management practices, and manageable debt profile. The town's high rating also provides easier access to the bond market and reduces overall borrowing costs.

Measuring the town's unrestricted reserve levels and overall debt burden against several common financial indicators, we again found Chelmsford to be well managed community. For instance, we encourage cities and towns to develop formal written policies. Reserve guidelines, for example, should direct the source and use of funds. We also typically look for a combined balance within the stabilization fund and certified free cash in the range of five to ten percent of the total annual operating budget. In the case of Chelmsford, the town's reserve policies mirror best practice and its combined balance amounts to over \$7.1 million or 6.2 percent of the total budget.

As far as Chelmsford's annual debt service is concerned, it stands at about 12 percent of the total budget. And despite what some might perceive as a relatively high overall liability, over half of the debt is excluded or directly funded through betterments or is otherwise supported outside the general fund operating budget. The town's 20 year debt schedule also reflects a fairly aggressive amortization rate, with nearly two-thirds of its outstanding debt being paid off within the next ten years. Additionally, Chelmsford has a policy that outlines borrowing parameters and a balanced, long-term capital improvement program that identifies funding sources as part of the annual budget planning process.

To this end, we found the town's budget process deliberate and well thought-out. It begins, as we commonly recommend, in the early fall when the town manager holds a department head meeting to discuss the financial outlook for the coming year. Instructions and forms, which are available in electronic format, are distributed along with any guidance. The town manager and finance director meet with department heads to review and discuss budget requests. The town manager submits a proposed budget to the selectmen as required by town charter. The finance committee also holds public hearings on each department's budget. The town manager and finance director will make adjustments and fine tune the budget as the process continues to unfold. However, once certain figures like retirement and health insurance premium rates are known, the town manager finalizes the budget and submits his recommendation to town meeting along with a capital improvement proposal.

Capital improvement planning in Chelmsford largely parallels the budget process. First, department heads work in conjunction with a capital committee to prepare a five-year projection of the community's needs. Based on this working document, an annual process unfolds to build a capital budget proposal. The proposal, after going through a series of review steps by the capital committee, town manager, finance committee, and board of selectmen, is presented to town meeting for approval. Continually updated, the town's capital planning program is a model platform for decision-making that incorporates a development schedule, various policies, and financing methods. The success of the program is evident in the new fire station under construction and in an energy performance program intended to save money and reduce the town's carbon footprint.

Separately, we were also pleased to see that the town manager is taking steps to offset the town's other post-employment benefits (OPEB) liability. Meaningful and manageable contributions to an OPEB reserve are necessary to stem the cost of future health insurance obligations and to preserve the town's strong bond rating. Since FY2012, the town has put away just over \$2.5 million and aims to maintain an annual funding level of a million dollars. While this amount falls short of the annual required contribution (ARC) as determined by the outside actuary, it represents a strong commitment toward meeting this long-term obligation. The Government Accounting Standards Board (GASB) defines the ARC as the sum of two parts: (1) the normal cost, which is the cost for OPEB benefits attributable to the current year of service, and (2) an amortization payment, which is a catch-up payment for past service costs to fund the unfunded actuarial accrued liability. Although GASB does not require communities to fully fund the ARC each year, it must be calculated and disclosed in the town's annual financial statements.

Chelmsford operates under a representative town meeting - board of selectmen - town manager form of government. The town charter provides for a vertical organizational structure with a strong management presence, which we have long encouraged communities to adopt. Over time, we have found that a well-defined town manager empowered to oversee and coordinate day-to-day town affairs has emerged as the best way to promote accountability in government. Based our observations, Chelmsford's town manager has an effective management style. We found this particularly apparent in our interviews with the finance director and town accountant who both lauded their close working relationship with him when it comes to managing the town's finances. In communities we visit, we often recommend meetings of a financial management team in order to enhance communication and to improve interdepartmental collaboration. These meetings have been occurring in Chelmsford for years.

Our examination of the day-to-day financial management activities in town hall also revealed a pool of equally talented professionals. We found the town's financial managers and supporting staff to be proficient, conscientious, and collaborative. Appointed by the town manager and serving in the position since 2008, Chelmsford's finance director functions as treasurer/collector and supervises the chief assessor and information technology director. Experienced and thoughtful, his good working relationship with the town manager also appears to extend to the town accountant and other staff in town hall.

As far as the individual finance offices are concerned, proper procedures and practices associated with strong internal controls appear to be in place. In the collector's office, payments are being processed, abatements and refunds are completed, and municipal lien certificates are issued. The importance of customer service was also readily apparent. Performing equally well is the treasurer's office. There we found that monthly reconciliations are taking place, along with other responsibilities associated with being the community's cash manager. As for recommendations for

the treasurer's and collector's offices, we suggest eliminating the redundancy of the collector's bank account by redirecting the deposit of tax collections directly into the treasurer's general deposit/main account. Also, procedures related to compensating the deputy collector, Kelly & Ryan, should be modified to ensure compliance with state laws and to strengthen financial controls.

Operating through an appointed three-member board of assessors, the chief assessor is responsible for the uniform, fair market valuation of all real and personal property in town for the purposes of levying taxes. In doing so, the office re-values property every three years as part of a triennial recertification process mandated by DOR and completes interim year adjustments to maintain current market values. DOR issued several directives as part of Chelmsford's triennial recertification process completed last year that are intended to enhance technical, procedural, and administrative practices. Our primary recommendation largely dovetails with the principal suggestion accompanying the town's most recent recertification. In order for the chief assessor to maintain current and accurate property record data, we recommend he develop a schedule to ensure that each property is inspected at least once every nine years. Far less a priority, we also suggest that the office stop binding its deeds. Deed books are largely obsolete with the advent of online public access to the registry and the ability to scan information into the department's Computer-Assisted Mass Appraisal (CAMA) system.

In accordance with town charter, the town accountant is appointed by and reports to the board of selectmen. In addition to her more traditional accounting responsibilities, she also performs an internal audit function. This important role, which is less common among the communities we visit, provides assurance of the existence and effectiveness of internal controls. Her responsibilities also involve the monthly distribution of revenue and expenditure data to departments and local officials as well as a quarterly presentation of the town's financial position to the board of selectmen. Regarding our recommendations, we encourage the continued rollout of the department-level entry of invoices. We also feel there is value in providing web access to paystubs through a new self-service tool offered through the town's financial software vendor. Of greater priority, however, local officials need to designate a backup signatory for the town accountant and town manager, so vendor and payroll warrants are properly authorized.

Overall, we feel Chelmsford is well positioned to take advantage of the slowly improving economy. The town's finances are relatively stable and strong management policies are in place. We were also impressed by the quality of work within the finance-related offices and those in human resources and information technology with whom we also met and interviewed. In the following section, we outline several recommendations that are designed to streamline activities or to strengthen overall practices within Chelmsford's financial management operations. They are recommendations only and it is up to the local officials to determine if they should be implemented.

## Recommendations

### 1. Designate Backup Signatory for Town Manager

Chelmsford's charter authorizes the town manager to sign off on all payroll and vendor warrants. Typically reserved only for the board of selectmen, we often recommend shifting this responsibility to the town manager as a matter of convenience. However, in instances when the town manager is absent we found that warrants are sometimes processed, especially for payroll, and later signed upon his return. While this presents a problem, the town charter provides a provision to appoint a temporary person who has the full authority of the town manager to sign in his absence. We therefore suggest that the town manager develop a form letter with a list of appropriate individuals that can serve as his temporary replacement whenever he is absent.

### 2. Appoint an Assistant Town Accountant

We also found during our review the lack of a backup signatory for the town accountant. As a necessary internal control, this problem highlights the need to appoint an assistant town accountant. In the absence of the town accountant, the assistant is someone fully capable of carrying on the accountant's critical financial role. Among other responsibilities, this involves reviewing proposed expenditures, preparing warrants, and maintaining the general ledger. The town currently has an assistant to the town accountant whose job description largely reflects that of an assistant town accountant. A change in her job title might be explored as the town's most practical option to address this issue.

### 3. Continue Rollout of Department-Level Data Entry of Invoices

It is our understanding that many of the town's larger departments submit payroll data directly to the town accountant through the Munis financial management system. By shifting this simple data entry task, it streamlines activities in the accountant's office without creating an undue burden for the departments. With proper training, we feel most of these departments could also be given responsibility for data entering their own invoices.

For example, after entering all necessary vendor and payment information into Munis, department heads would sign and submit hardcopy invoices to the town accountant. The accounting clerk would then review the electronic entries against submitted hardcopy documents before accepting them in Munis. A warrant containing appropriate vendor information and amounts due would then be generated and submitted for the town manager's approval.

This system might be best implemented in phases by selecting one or two departments to start then reviewing their progress before extending to other departments. For any departments that have infrequent submissions, the current, manual process might continue. Once established,

although paper documents are still transferred, the electronic transmission of financial data will greatly reduce the amount of manual entries performed in the accounting office, freeing up staff to perform other activities.

#### **4. Consider Financial Software Self Service Tool**

In our conversation with the town accountant, we became aware of a new Munis self-service platform that enables employees to monitor and maintain their personal and employment information. Beyond the ability to review bi-weekly paystub and leave balances, employees can also modify benefits, update personal information, and receive announcements. Product advantages include real-time updates of employee information and eliminating paperwork.

#### **5. Make Deposits Directly to the Treasurer's Bank Account**

The collector's office maintains a bank account in which all tax, excise, and utility receipts are deposited. Once funds clear, the money is transferred to the treasurer's general depository account where it is routed for use. While there are some limited reasons for maintaining a separate bank account on the collector's side, we recommend it be closed. In doing so, all receipts can be deposited directly to the general depository account, which at the very least eliminates the monthly cash reconciliation process for the collector's office.

#### **6. Compensate Deputy Collector through the Vendor Warrant Process**

Chelmsford contracts with Kelly & Ryan to collect delinquent motor vehicle excise payments. Under the current practice, the firm deposits collections into a joint bank account. Once a week a company representative then delivers a turnover on that account to the treasurer/collector's office along with a check for the office to sign to cover Kelly & Ryan's service fee. To strengthen financial controls, the deputy collector should submit a detailed invoice for fees to be paid through the vendor warrant process. While this will delay payment, all vendors should be treated equally with payments routed through the proper verification process.

#### **7. Develop a Cyclical Reinspection Schedule**

The maintenance of current and accurate property data is critical to developing uniform, fair market values in town. While Chelmsford completes more routine inspections, it does not appear to have a systematic approach for ensuring that all properties are inspected at least once in every nine-year cycle. Therefore, we encourage the development of a cyclical reinspection program that generally maps out which properties will be visited each year leading up the FY2017 completion requirement. In calculating the number of annual inspections necessary to meet this obligation the office should take into account its routine inspections involved with processing abatements and building permits, for example.

## **8. Stop Binding Deeds**

The assessor's office receives new deeds from the Middlesex North Registry of Deeds and inputs the information into their Vision property record database. The department then accumulates these deeds and pays to have them bound into hardcover books. Creating and storing these bound books made sense in earlier, non-digital times. However, the combination of public, online access to deeds on the registry's website and the ability to make detailed notes in Vision has made these books obsolete, and therefore the cost of bookbinding is no longer justified.

## **9. Funnel all Technology-Related Purchases through IT Department**

We recommend that all technology-related purchases be budgeted within the IT department. While this is largely already occurring and something that the IT director advocates, there appears to be instances when departments might finance the purchase of a given piece of equipment. We also found that telephone services are budgeted within each individual department, which can be consolidated and appropriated in the IT department budget. In this way, the overall cost of technology will begin to take shape. Based on our experience, it is also more likely to receive equal treatment in the process of setting town priorities through the budget.

## Acknowledgments

**This report was prepared by the Department of Revenue's Division of Local Services:**

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

Frederick E. Kingsley, Bureau Chief, Municipal Data Management and Technical Assistance Bureau

Joe Markarian, Director, Technical Assistance Section

Zack Blake, Project Manager, Technical Assistance Section

Amy Handfield, Field Representative, Bureau of Accounts

Nathaniel Cramer, Certification Advisor, Bureau of Local Assessment

**In preparing this review, DLS interviewed the following individuals:**

Paul Cohen, Town Manager

John Sousa, Jr., Finance Director & Treasurer/Collector

Kim Pease, Assistant Treasurer

Christine Wedge, Assistant Collector

Cathy McArthur, Principal Clerk

Bonnie Steadman, Principal Clerk

Darlene Lussier, Town Accountant

Joan Fleury, Assistant to the Town Accountant

Kimberly McCarthy, Payroll Administrator

Diane Morgan, Accounting Clerk

Frank Reen, Chief Assessor

Kathryn Bianchi, Assistant Assessor

Nancy Maher, Admin Assistant

Sue Taylor, Principal Clerk

Jeanne Parziale, Director of Human Resources

Ted Lutter, Information Technology Director