



Town of Clinton

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

September 2007



Introduction

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

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen and the finance committee, the town administrator, town accountant, town collector, treasurer, chief assessor, as well as other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records. Other documents reviewed included outside audits for fiscal years 2005 and 2006 completed by Bill Fraher, CPA.

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 town's budget, warrant and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the members of the board and others, 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, committees and officials.

Overview

The town of Clinton lies in central Massachusetts, straddling the valley of the south branch of the Nashua River and is the site of the Wachusett Reservoir, formed by damming the river in 1905 to provide drinking water for the City of Boston. The town is 35 miles west of Boston and 12 miles north of Worcester, with a population of approximately 14,000 residents living within its seven square miles. It is bordered by Berlin and Bolton on the east, Boylston on the south, Sterling on the west and Lancaster on the north and northwest.

The town's abundant water power potential invited textile manufacturing and, with the creation of mill jobs, a diverse ethnic population. By the time the town incorporated, in 1850, it was already a sizeable community for the time with a population over 3,000 and was the fourth largest manufacturing center in Worcester County. Clinton successively became the state, national and world leader in the manufacture of carpets, cotton gingham and wire cloth and by 1885 was the largest carpet maker in the world. The huge mills of the early 19th century still remain in use, housing a diverse group of redevelopment uses.

Governance and financial management fall under the control of a mix of elected and appointed officials pursuant to state statutes and local by-laws. A five member elected Board of Selectmen functions as the executive branch of government and appoints the town administrator whose responsibilities and authority appear limited. The town administrator position emerged from the original administrative assistant to the board in the mid-1990s and would have become a town manager under a 2005 charter proposal, but the charter was rejected by town meeting. Today, Clinton does not operate under a town charter and no town by-law establishes his position or specifies all his duties and responsibilities.

Selectmen also appoint the town accountant, and are involved in hiring all managers and staff in departments they oversee. An elected, three-member board of assessors serves full-time, administering day-to-day assessing functions. Even though timing would seem opportune with the anticipated January 2008 resignation of the present collector, town meeting rejected this past June a proposal to convert the collector and treasurer to appointed positions. So, for the immediate future, they will remain elected offices. The town moderator appoints the six-member finance committee that makes recommendations on the town's operating budget to the annual town meeting.

Operating under a substantially decentralized government structure, local officials are at a disadvantage as they grapple with financial obstacles in Clinton. As with most Massachusetts towns that confront the same issues, the task is made more difficult by constraints on revenues and an increasing burden on residential property owners to sustain municipal services.

For Clinton, this latter observation is drawn from financial data maintained by the Division of Local Service (DLS). Whether due to conservative spending practices, or slow revenue gains, the town's annual budget growth has lagged in comparison to the average of all Massachusetts towns. For Fiscal 2007, the town's budget was \$36 million, but between FY2000

and FY2007, the town budget increased 34.6 percent compared to an average increase of 47.3 percent state-wide among towns. The town's average single family tax bill (\$2,830) in FY2007 was below the state-wide average among towns (\$3,940). This has historically been the case, but of concern is that the gap has widened. In Fiscal 2000, the town's average single family tax bill was 79.0 percent of the average among all towns, compared to only 71.8 percent in Fiscal 2007. Most towns use some portion of free cash to bolster budgets, but Clinton has had negative free cash in the last three years. Municipalities have also determined that overrides are occasionally necessary in order to ensure that revenues keep pace with continually escalating expenditures. According to DLS records, while the voters approved debt exclusions in 1996 and 2000 to fund school building projects, the town of Clinton has never approved a general operations override.

Despite the adoption of a higher tax rate for commercial/industrial properties to reduce taxes for homeowners, the burden of supporting local government has gradually shifted more and more to residential property owners. This is a function of residential property values increasing at a faster pace than commercial and industrial values. Between Fiscal 2000 and Fiscal 2007, the total assessed value of residential properties in Clinton has risen by 134 percent, while the combined assessed value of commercial, industrial and personal property increased 72 percent.

However, of greater concern is the town's more recent financial health. On the positive side, at \$830,416 in FY2007, the town stabilization fund is at its second highest level since FY2000. Still, Fiscal 2005 and Fiscal 2006 ended with both revenue and appropriation deficits. As noted, negative free cash balances for the last three fiscal years have also reduced the financial flexibility of the town to respond to unanticipated spending needs. Closing the books on the 2005 and 2006 fiscal years was delayed because of the treasurer's inability to reconcile his cash receipts with his bank accounts, thus delaying all of the accountant's work. In response, a consultant was engaged to establish proper procedures for the treasurer's office and reconciliations are now being completed much more timely. It is also our understanding that there is heightened awareness of, and a willingness to address, those circumstances that can lead to negative free cash certifications.

These steps help, and more has to be done, but we question whether municipal government, in its present configuration, will allow the town to move forward. At first glance, it appears that the town operates under a vertical structure where authority to manage town government is concentrated in a full-time town administrator. On closer examination, this is clearly not the case. The town administrator has no meaningful authority outside a role in the budget process. With no administrative support, his time is consumed by providing information requested by selectmen and by tasks not normally associated with his position. For whatever reason, he is not entrusted with higher level decision-making authority by the board of selectmen, or with high priority assignments more typical of a town's professional manager. Because the treasurer, collector, the assessors and various boards are all elected, there is no accountability in town hall to a single management presence, and as a result, no real means to implement town-wide goals.

In our report, we address these and other issues. Moving to a town manager is not required, but we encourage the board of selectmen to delegate and consolidate more of their authority in the town administrator. We suggest they re-examine their role in government as policy makers and consider how that role should inter-relate with the town administrator who should be empowered to manage government on a day-to-day basis. Necessary is the establishment of priorities and expectations.

We continue to advocate for an appointed collector and treasurer even though a proposal to convert the positions was recently rejected by town meeting. We also expect that over time, the current structure in the assessing office will not be sustainable, and board positions will become part-time appointed offices. These are not policy making offices, but require in the people who occupy them certain skill sets which are acquired only through professional experience. Those skills were initially missing when the treasurer was elected, prompting the expenditure of town money to provide him with training. If an unqualified candidate for collector is elected in early 2008, a further investment may be necessary.

We continue to advocate for the adoption of a town charter, even though voters rejected a charter proposal in 2005. While the specific provisions of that proposal may have been viewed as too much of a change for acceptance, the reasons for operating under a charter remain valid. Charters provide a framework for government that clarify roles, relationships and ensure stability and continuity into the future.

Recommendations are also offered to help the town plan long-term. Expenditure and revenue forecasting, policies on debt and reserves and a capital improvement program are all essential components of a forward-looking financial plan. Included as well are recommendations on how the town might effectively manage and enhance its technology capability.

Finally, we make recommendations that address issues in the various finance-related offices. These are intended to help improve operations and tighten up financial controls.

Conclusion - It was described to us that Clinton residents and local officials cling to the ways and relationships of the past to re-affirm their independence from outside influences, and to demonstrate a conviction that the current system of government works. It does work, but just adequately. Finance offices are now completing the routine tasks of government. The budget process is evolving, but long-term planning is weak and there is no true accountability in town hall. Operating within the current decentralized environment, where so many finance officers are elected, local government is not well-positioned for the challenges ahead. If the town's financial trends continue, enormous pressure will be brought to bear on decision makers to analyze data, plan for the future and make prudent choices with limited resources.

As a first step to address these issues, the selectmen should look to better utilize the town administrator in a way that has proven successful in so many other towns. Then, if so empowered and relieved of lower level tasks, the town administrator can work toward new priorities and higher level initiatives.

In the report that follows, we address these issues and other issues.

Summary of Report Recommendations

Overall Financial Management (page 6)

- 1) Re-Examine Board's Relationship With Town Administrator
- 2) Adopt a Process for Appointments
- 3) Provide Support for the Town Administrator
- 4) Adopt a Town Charter
- 5) Appoint and Combine the Treasurer and Collector
- 6) Change Annual Town Meeting and Election Dates
- 7) Work Toward Generating Free Cash
- 8) Adopt Financial Policies
- 9) Create a Financial Management Team
- 10) Modify the Budget Process
- 11) Complete Financial Forecasts
- 12) Establish a Capital Planning Committee
- 13) Formulate Other Post-Employment Liability Policy
- 14) Exclude Part-time Board Members from Health Insurance Benefits
- 15) Consider Investing in PRIT
- 16) Establish an Audit Committee
- 17) Periodically Review Town Fees
- 18) Organize Personnel Files/Set Policies

Computers and Technology (page 18)

- 19) Re-establish a Technology Committee
- 20) Centralize Technology Administration
- 21) Address Financial Software Incompatibility
- 22) Create a Backup Policy
- 23) Survey Staff
- 24) Establish Email and Internet Policies

Treasurer (page 21)

- 25) Modify the Cash Reconciliations Process
- 26) Create a Monthly Cash Flow Budget
- 27) Implement Direct Deposit for All Employees
- 28) Institute Bi-Weekly Pay for All Employees
- 29) Attend Professional Classes and Pursue Certification
- 30) Impose Maximum Penalty for Bounced Checks

Collector (page 24)

- 31) Issue Water and Sewer Bills Quarterly
- 32) Discontinue Collections Verifications by Collector
- 33) Cease Departmental Turnovers to Collector
- 34) Create a Log to Track Trash Stickers

Accountant (page 26)

- 35) Grants and Contracts to Town Accountant
- 36) Departments to Monitor Own Expenditures
- 37) Departments Record Vendor Numbers on Invoices
- 38) Eliminate Duplicate Entries for School Invoices
- 39) Submit Schedule A on Time

Assessors (page 29)

- 40) Send Out Sales Questionnaires
- 41) Inspect Sale Properties
- 42) Reformat Billing Address Information

Overall Financial Management

A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact town government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the town's organizational structure on the operation of government. We examined the purchasing system and personnel administration. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

On balance, management and staff in the finance related offices of the accountant, collector and treasurer are effective in the execution of most tasks required in the collection and deposit of receipts, and in producing vendor and payroll warrants for review and approval by the selectmen. The assessors are effective in delivering the commitments of taxes to the collector, and in general the timely exchange of information between offices takes place.

Staff collaborate and cooperate, as well, in the preparation of required submissions to DOR. The balance sheet (for free cash certification) is completed by the accountant, as is the town's Schedule A (a year-end report of financial activity). Finally, the accountant, assessors and town clerk collaborate on the preparation of the town's Tax Recap Sheet, which is the basis of DOR approval of the annual tax rate. DOR needs to approve Tax Recap submissions in December in order to generate the first actual quarterly tax bill on time. With the exception of fiscal 2006, Clinton has consistently met this deadline.

One area that has suffered is the reconciliations of cash between the treasurer and the accountant. The failure to reconcile cash significantly delayed the closing of the books for fiscal years 2005 and 2006, and hindered preparation of the town's balance sheet and its Schedule A. These reports have been submitted late in the year for the last six years because of the problems reconciling cash. However, with the advice of a consultant, the treasurer has instituted new procedures for reconciliations with the accountant and the situation seems to have improved.

Earlier this year, the town administrator played a lead role in the development of the fiscal year 2008 budget. Although this is a departure from two years ago when the finance committee was charged with formulating the initial draft of the annual budget, a dual or parallel process still exists. With departmental requests and revenue estimates in January, the town administrator and selectmen begin to formulate a budget recommendation while the finance committee simultaneously does the same. To identify and discuss conflicts between the two budgets, a budget committee is formed consisting of two selectmen and two members from the

finance committee. In fact, this committee may continue to work on issues right up until the budget is presented to town meeting.

Another area that warrants attention is long-term planning. Clinton lacks formal policies for multi-year revenue and expenditure forecasts, for capital planning, and for debt and reserve levels. As a result, the town is ill-prepared to deal with unanticipated revenue shortfalls or cuts in local aid or emergency needs. Certified free cash has been negative in the last three years and although the stabilization fund balance has nearly doubled in the last two years, it remains only 2.3 percent of the budget.

Outside of the budget process, the town administrator seems to function in a role that is something less than a fully empowered management presence. He has no appointing authority, and proposed charter provisions that would have empowered the position were defeated in a town meeting vote. A substantial portion of his time is consumed with answering telephones, unnecessarily running errands, and responding to requests more appropriately fulfilled by administrative help. Consequently, he is able to devote little or no time to higher level issues of importance to town operations and that might impact long-term planning.

Conclusion - Communication and cooperation exists between the town administrator and the various town financial officers despite the mix of elected and appointed officials with different reporting authority. Checks and balances are in place, and important financial tasks such as the preparation of vender and payroll warrants, the collection and accounting of town revenue, and development of the annual budget are accomplished. Still, government operations could benefit from a re-examination of the town administrator's role and a more centralized management structure. Toward that end, progressive towns in Massachusetts are moving increasingly to enhance professional management of the day-to-day activities of town government and Clinton should do the same.

In other areas, the town can streamline its budget process. It should take better care in forecasting revenues more conservatively in order to avoid future revenue deficits and avoid ending the year with negative free cash. Greater attention also needs to be paid to long term issues such as its reserve, capital planning and Other Post Employee Benefits (OPEB) policies.

Despite rejection of a charter in 2005, we regard it as the best way to adjust government structure and operations to the demands of changing times, and recommend as much.

Recommendation 1: Re-examine Board's Relationship with Town Administrator

We recommend that the selectmen re-examine the board's relationship with the town administrator. As noted earlier, it is our observation that the town administrator is under-utilized. His time is not wisely spent. This circumstance is due, in part, to the absence of administrative support, and to a larger degree, because of what he is being asked or required to do on a daily basis. To address this issue, we recommend that the board work with the town administrator to establish priorities. Discussion should focus on how the town administrator

currently spends his time, what portion of his time is devoted to selectmen requests, and how an administrative assistant might help the situation. Implicit in this approach is a suggestion that each member of the board objectively examine the kinds of demands, and response expectations, he or she places on the town administrator.

The board and the town administrator should then come to an agreement on priorities and realistic time frames for the completion of tasks or projects. In particular, the town administrator can devote his time to long-range planning, personnel issues, performance evaluations, financial management team meetings, technology planning, and so forth.

Enhancing the town administrator's role in appointing, supervising and evaluating department heads should also be discussed. With the possible exception of the fire and police chiefs, we recommend that the selectmen delegate their authority to appoint department heads, staff as well as committee, board and commission members to the town administrator. Final approval can still reside within the selectmen, but when the board functions as the screening, interviewing and hiring body, particularly for line staff, it threatens to encroach into the day-to-day administration of town government which is beyond its policy-making role. Delegating this appointing power to the town administrator re-enforces his authority in town hall and enhances accountability.

Finally, town administrator responsibilities should be set-out in a town by-law. Although the selectmen can delegate their authority by a vote of the board, the town can demonstrate its commitment to professional management by the adoption of a by-law setting out the town administrator's powers, duties and responsibilities. In the long term, the subject of a town administrator should be addressed in a charter article, which remains the best means to create stability and continuity in government.

Recommendation 2: Adopt a Process for Appointments

We recommend that the selectmen step-back from the hiring process. A hiring decision can still be placed before the selectmen for approval, but the process should begin at the town administrator and department head level. We suggest the town administrator devise and recommend a process, for selectmen approval, that sets out rules, or policies, to be followed when hiring paid staff. It should require a review of job descriptions, establish education and work experience qualifications, confirm salary or wage levels through surveys, and set timetables for advertising, screening, final interviews and hiring. As a matter of sound management practice, we would recommend that department heads have a role in the selection of people who will work for them, and therefore be involved in the screening, interviewing and selection process with the town administrator.

Relative to volunteer positions, we encourage the town administrator to create a "Volunteer Form." Persons who are interested in becoming members of a committee, board or commission would be asked to provide general background information and work experience, a

statement of their interest and what special qualities they possess. With this type of information, persons can be appointed who will bring value to the assignment and, as a result, committees, boards or commissions will be more productive. We would expect the town administrator to screen and appoint candidates, or recommend persons for appointment to the selectmen.

Recommendation 3: Provide Support for the Town Administrator

We recommend the selectmen propose a new position of administrative assistant to the town administrator to town meeting. Although we are typically reluctant to recommend adding staff, we do so because the lack of administrative support for the town administrator has a negative impact on town operations. Given its level of activity, the town administrator's office is a major department, but unlike others, it is without a full-time support person. As a result, the town administrator answers telephones, runs town errands, responds to simple requests, all of which are time consuming, disruptive and a poor use of his time. If the town is to successfully pursue initiatives aimed at effective forecasting and long-term planning, building reserve capacity and other higher level purposes, it will only occur if the town administrator's time is freed-up.

Recommendation 4: Adopt a Town Charter

We recommend that the town continue toward the adoption of a town charter. Although in May 2005, the town meeting defeated a Charter Commission proposal, the town should not abandon the idea of a charter. Throughout Massachusetts, a charter remains the preferred vehicle, over by-laws, to strengthen accountability, and to achieve long-term continuity and stability in municipal government.

For Clinton, charter provisions can outline the authority and responsibilities of a town administrator, establish lines of accountability and more clearly define an organizational structure. A charter can address issues of elected versus appointed officers and boards and the relationships among officials, boards and commissions. It can restructure committees with an odd number of members. Charters can set out the general parameters of the budget process and capital improvement program.

To revisit the charter issue, the town need not elect a charter commission. Alternatively, a Home Rule charter can be adopted through State Legislative approval of a special act. The selectmen could establish a government study committee, set a time frame, and charge it with responsibility to develop a new or revised charter proposal. As a rule, Legislative approval would be made contingent on a town-wide vote in favor of the charter as well.

Recommendation 5: Appoint and Combine the Treasurer and Collector

We recommend that the town convert the treasurer and collector to appointed positions. We recognize that an article proposing to combine and appoint the collector and treasurer offices was rejected at the 2007 annual town meeting. The town meeting action does not, however, lessen our conviction that these are positions requiring specific skill-sets and therefore should be appointed rather than elected. To gain further efficiencies and cost savings, many towns have chosen to combine the offices as well.

Even though the current treasurer has an understanding of his responsibilities, upon his election, he did not and financial checks and balances suffered. With guidance from a consultant, procedures and financial controls are now in place. Soon after the turn of the calendar year, the current collector will retire and an election will be held to fill the vacant position. On that occasion, the town again will have no control over the process, will draw only from a narrow pool of candidates within a 5.4 square mile area and risks placing a person inexperienced in municipal finance in an important position.

Recommendation 6: Change Annual Town Meeting and Election Dates

We recommend that the town adopt a by-law changing the date of the annual town meeting and annual town elections. According to the town by-laws, the annual town meeting is set for the last Monday in April, but it is typically postponed to early June. The by-laws also provide for the election of town officials on the first Monday in May. Not only is it important to respect and abide by by-laws, but the delayed meeting can potentially disrupt the budget process. One problematic issue with holding the annual town meeting after the town election is that the newly elected members to the select board may wish to revisit the budget after the process is complete and before town meeting.

The town should amend its by-law if it wishes to consistently hold the annual town meeting on a date other than the last Monday in April. It should simultaneously change the date of the town election so that it occurs immediately before or after the town meeting where the budget is presented.

The town should also consider reducing, through a by-law, its unusually large quorum requirement of 250 for town meetings. A quorum requirement as low as 100 for the annual town meeting would not be inappropriate. Special town meetings typically require a lower amount.

Recommendation 7: Work Toward Generating Positive Free Cash

We recommend that the town take the steps necessary to generate positive free cash. Negative free cash is a red flag to credit rating agencies and does not reflect well on those overseeing town finances. In Clinton, particularly over the last two years, negative free cash was caused primarily by capital project fund deficits, withholding deficits and revenue deficits that

result when local receipts failed to meet estimates. It is our understanding that greater attention is now directed on multiple levels to decisions with the potential to impact free cash. To underscore the initiatives taken, and the importance of moving out of a negative free cash position, we recommend the following:

-To avoid the risk of revenue deficits, the annual estimate of local receipts should be conservative. Rather than link estimates to speculation on the future, as a matter of policy, estimate local receipts at no more than 95 percent of the prior year's actual receipts.

-Capital project fund deficits are caused when spending on a project has begun, but temporary notes or long-term bonds have not been issued to fund the work. The treasurer should routinely communicate with department managers who have received town meeting approval for capital projects. With an understanding of when projects are likely to start and consequently when funding is needed, he can plan to provide it. We also suggest that the treasurer, accountant and town clerk meet after each town meeting to confirm approval of bond authorization articles.

-The town needs to address the so-called "withholding" deficit. It needs to make a commitment to fund the deficit amount or determine if any amounts are legitimately due from employees. Otherwise, free cash will continue to suffer. As an alternative to fully funding the deficit in one year, the town might adopt a plan to reduce it by smaller annual amounts over a three or five year period.

Recommendation 8: Adopt Financial Policies

We recommend that the town adopt policies to guide decisions about reserves, debt and local receipts. The combination of competing spending priorities and limited revenue options make building reserves a challenging task. Often depending on the fiscal circumstances facing town meeting, it can be difficult to preserve or build a sizable reserve balance. Clinton began fiscal 2007 with a stabilization fund balance of \$830,406, or 2.3 percent of its annual budget, slightly below the recommended range of three-to-five percent of spending. Another usual source of municipal reserves, free cash, has been negative for the last three years due primarily to capital project fund deficits, withholding deficits and local receipts that failed to meet estimates. Through the adoption of policies, the town should commit to raise and maintain reserve balances to six-to-ten percent cumulatively, based on the following:

- Direct the use of all or a portion of free cash as a funding source for stabilization, or as an outlay for one-time capital projects;
- Do not use free cash at fall town meetings to supplement the annual operating budget passed earlier that spring.

- If free cash must be used to support the operating budget, restrict its use to the ensuing fiscal year's budget and to a limited amount. In this way, free cash can actually serve as a reserve until it is appropriated.
- Restrict the use of unexpected, non-recurring revenue, or surplus revenue, to one-time costs;
- Restrict the use of the stabilization fund to non-recurring expenditures and only in an amount above a certain dollar threshold.

Recommendation 9: Create a Financial Management Team

We recommend that a financial management team be formed and meet regularly.

Whether officials are elected or appointed, we would expect among them a common desire to be informed and to more effectively manage the town's finances. To open formal channels of communication and to better coordinate the town's financial affairs, we recommend a financial management team be formed and meet monthly, or quarterly. We suggest that the members include the town administrator who would serve as chair, the treasurer, collector, accountant and assessing board chair. It would also be of value to include a representative from the school department and the town's technology consultant.

The financial management team meetings would be a forum where the budget calendar and other finance-related deadlines can be reviewed. The team would analyze the financial impact of future events. It would identify critical junctures and offer early strategies to deal with anticipated areas of concern. It might also facilitate the collection of data that would serve as a basis for decisions by the town's policy-making bodies concerning debt limits, reserve fund levels, revenue/expense estimates and annual budget guidelines.

Recommendation 10: Modify the Budget Process

We recommend that the town modify its budget process with emphasis on the following.

It appears that the budget process in Clinton is evolving. As it continues to take shape, we encourage certain emphasis as recommended below. Whatever the outcome, we further recommend that the budget process, or calendar, be formalized as a town by-law and later as a charter provision.

Early start - The budget process should begin in the fall with revenue projections developed by the town administrator together with the accountant. A financial management team would also have input. To reach some level of certainty, tax revenue under Proposition 2½ can be predicted subject to conservative new growth estimates. As we recommend in this report, the local receipts' estimate can be based on 95 percent of the prior year's actual total. The use of miscellaneous revenue and reserves (i.e., free cash, etc) can be based on adopted policies. Finally, state aid under initial projections can equal the prior year's distribution. The only

adjustments would come later with release of the Governor's budget in January, the House budget in April and the Senate budget in May. If the House and Senate agree (the first week of April) on state aid levels for major categories in a joint resolution, this amount should be relied upon, with no further adjustments.

Consensus - We recommend that the town administrator present revenue projections and projections of fixed costs (e.g., health care coverage, pension obligation, debt service, etc.) to a joint meeting of the selectmen, finance committee and school committee. A consensus accepting the projections should be recorded and a decision should be made on a division of revenue between the town and the school department. If possible, a consensus should be reached on how future increases in revenue projections will be divided. From this process, budget guidelines should be agreed to and circulated to department heads with a request for appropriation needs. With each adjustment to state aid, a joint meeting should occur to confirm previous consensus on the allocation of an revenue increase.

Lineal Process - Once department requests are received, a lineal budget process should follow. Typically, the town administrator would meet with department heads to review requests and would then develop a budget for presentation to the selectmen. The selectmen would review, with the town administrator, his budget recommendation. If desired, they would meet with managers of major town departments only. Subject to any changes, the selectmen would approve the town budget and forward it to the finance committee. Once the finance committee completes its review of the line item budget and other articles, and incorporates its changes, if any, the budget would be made ready for town meeting.

Communication - Necessary to the process is a high level of communication. Joint meetings serve this purpose. The exchange of information should be on-going among the town administrator, finance committee chair and town accountant particularly as they get deeper into the process. The budget committee might also help in this regard.

Recommendation 11: Complete Financial Forecasts

We recommend that the town administrator develop revenue and expenditure forecasts during the fiscal year and into the future. Long-range financial forecasting presents spending obligations beyond one year in the context of future estimated revenue. Analysis of the ongoing relationship between the town's revenue and expenditure trends will assist decision-makers by allowing them to anticipate the financial future of the town in an informed and thoughtful way, and to plan accordingly. In addition, forecasting permits the town to quantify the long-range fiscal impact of proposed policies and initiatives before final action is taken.

During the course of a fiscal year, the town should also complete quarterly projections. Using the accountant's expenditure and revenue reports of activity to date, the town should review and adjust projections from that point forward to the end of the fiscal year. In this way, if problem areas are identified, adjustments can be made. Moreover, if financial gains are

projected, more reliable conclusions can be made relative to the potential for free cash in the ensuing year.

For additional information and assistance on forecasting, see the Division of Local Services, [Forecast Revenue and Expenditure Best Practice](#), as well as the [Revenue and Expenditure Forecasting Tool](#).

Recommendation 12: Establish a Capital Planning Committee

We recommend that Clinton codify and further define a capital planning process in a charter provision or bylaw. Currently, the town administrator's job description charges him with developing a five-year capital outlay proposal and to maintain an inventory of all town property. A thoughtful capital improvement program might also include a committee, chaired by the town administrator. Capital improvement committees appear to work best when members include a mix of town department heads and knowledgeable residents. A committee can help define the capital outlay program, develop coordinated strategy for the town's long term capital needs, and assist in the accomplishment of other important tasks.

The responsibilities of a capital planning committee and process might include, but not be limited to, the following:

- Prepare an inventory of existing town facilities, real estate and other assets (condition, life span, utility, maintenance schedule);
- Determine the status of previously approved capital projects;
- Assess the town's financial capacity (available reserves, borrowing limits);
- Solicit, complete and evaluate project requests;
- List projects in order of priority;
- Develop a financing plan and adopt a long-term capital improvement program;
- Monitor approved projects; update the capital improvement plan annually.

(Source: [Developing A Capital Improvements Program](#), prepared by the Municipal Data Management / Technical Assistance Bureau, Department of Revenue)

Recommendation 13: Formulate Other Post-Employment Benefits Liability Policy

We recommend the town formulate a policy in response to the Other Post-Employment Benefits (OPEB) liability. The OPEB unfunded liability is the cost assigned to benefits (other than pensions) already earned by public employees and to be distributed upon retirement. While there is no requirement to fund the OPEB liability thus far, the Governmental Accounting Standards Board (GASB) Statement 45 requires that, through actuarial analysis, the dollar value of the unfunded OPEB liability be determined every two years. After it completes an actuarial evaluation, which is required as of June 30, 2009 under GASB 45, the town should define an OPEB policy. It may be as simple as confirming that costs will be covered on a "pay-as-you-go"

basis, working toward the establishment of a reserve through special legislation, or a combination of the two.

For additional information regarding OPEB, and steps to reduce the size of the liability, see resources available on the Department of Revenue, [Division of Local Services website](#). In addition, the Government Finance Officers Association has published a request for proposal checklist for OPEB actuarial valuations, see [OPEB RFP checklist](#) for details.

Recommendation 14: Exclude Part-Time Board Members from Health Insurance Benefits

We recommend the selectmen propose that town meeting vote to exclude part-time, elected or appointed board members from eligibility for town provided health care benefits. The town can also reduce its OPEB liability by initiating several steps that include re-examining current benefit packages, co-pay levels and, in particular, eligibility. Because in Clinton, there are currently no part-time, elected board members that receive health care benefits, this is a particularly opportune time to adopt a policy denying eligibility in the future.

Under M.G.L. c. 32B § 2(d), if any part-time elected official, or part-time employee working at least 20-hours per week receives either a salary or stipend, he or she is eligible for health care benefits. If a paid employee also pays into the retirement system, he or she vests after ten years and is eligible for health care benefits on retirement as well. Elected officials vest after six years. In each case, the town covers a share of the cost to cover the employee or retiree.

For towns struggling against increasing health care expenses, these represent additional costs which can be significant over time. However, town meeting can vote that part-time elected officials not be eligible for health care benefits during employment, or on retirement. We recommend that the town consider taking this step.

As a further cost saving measure, the town should consider the merits of enrolling in health programs under the State Group Insurance Commission (GIC). Entry is permitted with coalition bargaining under recent legislation (Chapter 67 of the Acts of 2007). Clinton is currently a member of the Minuteman Nashoba Health Group, a joint purchasing organization.

Recommendation 15: Consider Investing in PRIT

We recommend the town encourage its pension board to evaluate potential benefits of investing in the Pension Reserves Investment Trust (PRIT). Of 106 pension funds in Massachusetts, 81 are fully or partially invested in PRIT. Although Clinton is not among them, and is not required to transfer its funds to PRIT due to under performance, per newly enacted state law, it is a route still worth examining. PRIT pension fund investments have outperformed the average of all other funds consistently over the last 20 years. Up until recently, the Clinton pension fund has lagged behind PRIT and the all-fund average.

Recommendation 16: Establish an Audit Committee

We recommend that the board of selectmen create and appoint an audit committee. An audit committee is a group of people who can help determine in advance the requirements and objectives of the town's outside audit. Its members may be involved in the selection of the auditor. More importantly, the committee could review the auditor's management letter and monitor progress in resolving audit issues. The 2005 and 2006 audits by Bill Fraher each identified some 20 issues in the town's financial records that, while not as serious as "reportable conditions," should be improved. Several of the issues raised by the 2006 audit were the same as in the 2005 audit. The town administrator, working with finance officers, would be expected to formulate a corrective action plan to address issues raised in the auditor's management letter. He would also be primarily responsible for the execution of the plan. An audit committee would monitor progress.

A audit committee of three or five might include selectmen, finance committee members, as well as residents. Given the substance of an audit report, finance officers should not serve as members of the audit committee in order to avoid potential conflicts of interest.

Recommendation 17: Periodically Review Town Fees

We recommend initiating a procedure to periodically review municipal fees. A municipal fee is charged for a specific service and should reasonably reflect the cost to provide the service to which the fee applies (Emerson vs. City of Boston, et al (391 Mass 415)). As such, Clinton should adopt a policy to routinely review fees. The selectmen last conducted a review of town fees under its control in 2005 but there is no provision requiring a periodic review.

Appointed or elected boards that oversee particular departments are typically responsible for conducting an annual review of fees, and would forward recommendations to the board of selectmen. The board of selectmen, acting as the town's chief policymaking body, would approve increases. Reviews should involve an examination of direct and indirect costs associated with providing the service, and might include a survey of similar fees in other communities for benchmarking purposes.

Recommendation 18: Organize Personal Files/Set Policies

We recommend that the town comply with state law as it consolidates personnel files. There are three types of employee information that must be separately maintained in town hall. Under M.G.L. c. 149, § 52C, a personnel file would include all documents kept by an employer that have been used or may affect that employee's qualifications for employment, promotion, transfer, additional compensation or disciplinary action. Not included would be "personal information" protected under M.G.L. c. 214 § 1(b) and medical records protected by the American Disabilities Act. If stored in the same, secure location, i.e., file cabinet, personnel, personal, and

medical information must be maintained in three separate file folders. It is the responsibility of the town to authorize (restrict), through a written policy, access to employee files.

The town also needs to establish and commit to personnel policies as they relate to standards for raises and promotions. Rules and procedures should be clear, inclusive and equally applicable to all employees who fall under the personnel by-law. Circumventing the process should not be tolerated. With greater input into appointments and hirings, it is appropriate that personnel matters fall as well to the town administrator.

Computers and Technology

Computers and technology play a vital role in municipal financial management today. On the revenue side, computers are used by the assessor to maintain property values, set tax rates and generate the property tax and motor vehicle excise commitments; the collector takes the assessor's commitments electronically to generate the tax bills, and then to post receipts and manage receivables; the treasurer records the turnovers of town monies to his department to track the town's cash position. On the expenditure side, departments enter data from vendor invoices and employees' time into the computer system so that the accountant can generate the warrant for the selectmen's approval; the treasurer signs the computer-generated checks and tracks the disbursements in his electronic cash book. Cash balances and receivables are all reconciled on electronically generated reports. Debt schedules, monthly revenue and expenditure reports, annual budgets, and balance sheets are all maintained in electronic files. Email is used regularly to communicate and to provide internal access to information. Computers play a key role in virtually every element of the town's finances.

A survey of town finance-related offices revealed a series of 13, networked desktop and laptop computers of various age in use. Operating systems include a variety of Windows versions and Microsoft office products. All computers have email capacity and internet access. Otherwise, the accountant uses BMSI software, the collector uses VADAR, treasurer relies primarily on Excel spreadsheets, Millenium software is used for payroll, and the assessors use Vision appraisal software. In addition, all offices use Excel spreadsheets.

There is a separate line item for town hall computer support under the selectmen which is managed by the town administrator who serves as the town's technology coordinator. The account includes money for a technology consultant, hardware replacement, software maintenance contracts and supplies (\$10,000). Departments maintain and replace their own computers, as well as contract with the town's technology consultant separately out of their own operating budgets as hardware and networking issues arise.

Conclusion - Clinton could be more diligent and comprehensive in addressing its computer and information technology needs. An outside assessment, and a separate line-item for technology are positive elements of a comprehensive technology strategy, and there are plans for a town website. However, policies on backups, internet and email use by employees should be developed.

Recommendation 19: Re-Establish a Technology Committee

We recommend the formation of a technology committee that includes users from within town hall and expert volunteers from the community. The town recently had a technology committee which evaluated town needs but was disbanded after making its report. We recommend that a technology committee be on-going because of the pace at which technology is changing and its important role in the management of the town.

A technology committee can be a meaningful and objective contributor of information, analysis and insight for the town decision-makers as they grapple with computer and software issues. Its members can work to produce a periodic report, or assessment, of the town's technology status. Such a report would serve as a useful tool to evaluate the performance of hardware and software in town departments, to identify and prioritize the need for upgrades, and to recommend the adoption of new technologies. The recommendations made or accepted from the report would then be incorporated into a long-term capital planning program.

In the future, the committee could plan-out and oversee computer training, hardware replacement schedules, system upgrades, etc. They could also look into issues such as data integrity and emergency planning to make sure information is properly backed-up and retrievable. They could discuss future software purchases and conversions to prepare for integration with existing systems. Finally, a technology committee could explore how the town might improve its website and the services offered that can reduce traffic and workloads in town hall.

A technology committee might comprise only three or four members who have appropriate knowledge or work experience. To the extent possible, the town should recruit members from the town population, but the committee could be a mix of residents and town officials.

Recommendation 20: Centralize Technology Administration

We recommend treating technology as a department supported by a consolidated budget. We recommend a budget that combines in one place all technology-related appropriations currently spread among departments. In this way, an overall technology plan can take shape and total town expenditures toward implementation of that plan will be clear. Also, technology is more likely to receive equal treatment in the process of setting town priorities through the budget.

As a departmental budget, there might be separate line items for expenses, purchase of services, support contracts and small capital outlays for hardware and software upgrades. Major investments would typically be approved as part of the town's capital improvement program and financed through the issuance of debt. The purchase of computers, copiers, printers, projectors, etc., should also be purchased in accordance with a centrally administered, long-term plan.

Placing the management of this budget under the town administrator will ensure that decisions concerning future purchases of equipment, software and services are based on town-wide needs. As a member of the technology committee, the administrator will be able to incorporate the input and advice of the system users.

Recommendation 21: Address Financial Software Incompatibility

We recommend that a technology plan include a goal to move toward a single software package for all finance-related offices, or alternatively, to ensure that all software applications in use are compatible with each other. With a single software package or compatible applications,

departments can more easily share data, minimize the need for data conversions and eliminate duplicative data entry. A single system, accessible to all departments through a network, will also allow data entry (i.e., employee time, invoices, purchase order requisitions) at the departmental level which will free up staff time, particularly in the accountant's office. A software evaluation committee chaired by the town administrator, and consisting of the accountant, chief assessor, collector, treasurer, school business manager and the town's outside consultant could be formed to explore options.

Recommendation 22: Create a Backup Policy

We recommend the town request that its technology consultant develop a policy for backing up data and storing back-up tapes off-site. With three servers in town hall, there should be sufficient capacity for the town to backup all town hall computer files on a regular basis. Staff should also be discouraged from using their local drives since data and files stored there can not be backed-up centrally. Given the importance of the town's data sets, all files should be backed up regularly and stored off site for protection. We recommend that the technology consultant construct the backup policy because the presence of three servers and numerous financial packages further complicates things.

Recommendation 23: Survey Staff

We recommend that the outside information technology (IT) assessment include a survey to measure staff proficiency levels and to identify where procedures can be streamlined. By reviewing each office's procedures, the IT assessment may identify repetitive tasks that may be automated or streamlined. It may also identify shared data that may be transferred electronically or developed into a shared database available to more than one office. The survey results may help the IT consultant to develop appropriate level training and refresher courses that will enable staff to better understand how the computerized systems can be useful to them. Given the limited resources, exploring ways to operate more efficiently can free up valuable staff time.

Recommendation 24: Establish Email and Internet Policies

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. Once constructed, each employee should sign a form acknowledging that they have read the policies and understand the penalties for non-compliance.

Treasurer

The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, internally, and then with the accountant on a regular basis. Finally, the treasurer maintains tax title accounts, conducts sales of land and prepares documents to petition for foreclosure. In Clinton, the treasurer's office is also responsible for payroll and benefits administration.

The treasurer was first elected to a three year term in May 2005. Prior to his election, he worked for a software company and had no previous municipal experience. Staff includes a full-time assistant treasurer who is responsible for payroll and benefits administration for all town employees, and who has been on the job two years.

The office is set up with three desktop computers which are networked. The treasurer maintains his cash book and debt schedules on Excel spreadsheets. The cash book tracks the cash position in the town's nearly 30 checking and investment accounts. It records turnovers from the collector and other departments, and disbursements through vender and payroll warrants. The treasurer reconciles his cash book, internally against bank statements and externally against the accountant's general ledger, on a monthly basis. Outside counsel is employed to move tax title properties toward foreclosure which average six per year. The payroll is entered into Millenium software and processed by Harpers Payroll Service.

The current treasurer inherited a reconciliation discrepancy of \$140,000 between the treasurer's cash records and the town's bank accounts as of June 30, 2005. No formal cash book had been maintained by the previous treasurer and many of the cash receipts reported were from the bank statements rather than from departmental turnovers. A CPA was hired as a consultant to reconcile through June, 2005, and to establish procedures for the new treasurer to follow in the future. Progress has been made and monthly reconciliations are now being made in a more timely fashion.

Conclusion — Overall, the treasurer and his staff effectively fulfill the responsibilities of the office. The recommendations we offer are intended to improve record keeping and procedures, as well as to provide some guidance on where priorities might be placed. We suggest the treasurer create a monthly cash flow budget to better plan short term borrowing and investment strategies. We also recommend the adoption of bi-weekly payroll and direct deposit for all town employees.

Recommendation 25: Modify Cash Reconciliation Process

We recommend that the treasurer and the accountant meet monthly to reconcile cash. A combination of earlier lax practices and the treasurer's lack of municipal experience upon election, contributed to problems in the reconciliation of cash. With the professional guidance of a municipal finance consultant, the treasurer has implemented procedures resulting in significant improvement in the reconciliation of the town's cash. He internally reconciles his cash book to bank statements, and then each month he receives the accountant's general ledger cash statements and reconciles them to his balances. As a further step toward solidifying the credibility of the process, we recommend that the accountant and treasurer meet on a monthly basis to complete reconciliations. By meeting and comparing entries, a clearer understanding will be gained of what adjustments tend to be systemic, where timing issues arise and how the process can be further improved.

Recommendation 26: Create a Monthly Cash Flow Budget

We recommend that the treasurer create a monthly cash flow projection budget. It is the responsibility of the treasurer to manage the town's cash and ensure that account balances are sufficient to cover town obligations as they arise. In this regard, a cash flow budget is a useful tool that can help anticipate periods of low cash balances and better manage short-term investment and borrowing.

A simple spreadsheet can be devised in Microsoft Excel to serve as a cash flow budget. By applying past patterns of monthly spending and collections (as evidenced by warrants and monthly revenue reports) to current year appropriations, and overlaying projected debt service obligations, a reasonable forecast of the town's cash flow will emerge. Through the course of the year, the cash flow forecast can be adjusted for unexpected circumstances, and actual monthly costs or revenues should replace estimates. The treasurer might also use it to help determine if any payments could be changed to ease collections and thus avoid the short term borrowing he had to use last year to make payroll.

Recommendation 27: Implement Direct Deposit for All Employees

We recommend the town implement direct deposit for all employees on the payroll. In Clinton, approximately, one third of the town workforce is currently enrolled in direct deposit. Additional employees can voluntarily enroll in direct deposit, but to impose it universally would require collective bargaining. We encourage the town to explore how it might expand the direct deposit program to all employees. In particular, it should seek out bank incentives to those individuals who enroll. With direct deposit, staff and employee time would no longer be expended on lost and uncashed checks.

Recommendation 28: Institute a Bi-Weekly Pay for All Employees

We recommend that all employees be paid on a bi-weekly schedule. Cost savings are also possible if all employees were moved to a bi-weekly pay period. As a start, the number of checks issued annually would be cut in half. Efficiencies in the use of staff time would also be gained. Currently, teachers in all communities are paid every two weeks, with options for summer pay. Moving town-side employees to a bi-weekly pay schedule would also require collective bargaining.

Recommendation 29: Attend Professional Classes and Pursue Certification

We recommend that the treasurer attend professional training classes of the Massachusetts Collectors and Treasurers Association (MCTA) and pursue certification as a municipal treasurer. Attending formal treasurer's track training will provide useful information and opportunities to learn about alternative professional practices conducted in other Massachusetts municipalities. Since the Clinton treasurer is new to municipal finance he would especially benefit from the MCTA courses and contact with his peers from other communities. Gaining certification as a municipal treasurer will improve his professional standing and enhance confidence in the office and town government in general.

Recommendation 30: Impose Maximum Penalty for Bounced Checks

We recommend that the treasurer impose the maximum fee allowed by state law for bounced checks. Under M.G.L. c. 60 § 57A, cities and towns are allowed to impose a penalty of one percent of the amount of a bounced check or \$25, whichever is more. In Clinton, the treasurer only imposes bank charges of \$4.50 for bounced checks, thus forgoing revenue to the town. If he has not already, we recommend that the treasurer impose the maximum penalty on those whose checks in payment of an obligation are returned for insufficient funds. We would expect that, in the instance of a bounced check, he would also immediately notify the department that had received it, so that the credit can be reversed and appropriate follow-up steps can be taken.

Collector

The Clinton collector is elected and has served the town for 24 years. As town collector, he possesses the authority to collect real and personal property taxes, excises, betterments as well as other charges and payments due the town. Staff includes a full time assistant collector who has been in the office since 1999, and a one-day per month former full-time employee who completes receivable reconciliations. The collector's office prints and issues approximately 4,800 real estate tax bills and 126 personal property tax bills quarterly. A deputy collector receives the motor vehicle excise information directly from the Registry of Motor Vehicles, presents the commitment to the assessors for review and approval, then issues more than 12,500 motor vehicle excise tax bills. The collector also is responsible for the distribution of trash stickers and collection of fees for the town's "pay as you throw" solid waste disposal system. He receives the commitment of water and sewer charges from the Department of Public Works and prints, sends and collects the bills in October and May. In addition, fees for building, electric, gas and plumbing permit fees are turned over to the collector on a weekly basis.

Collections are counted and posted in VADAR to taxpayer accounts as received, and deposited to a collector's bank account daily. More than half of all real estate collections are processed by a bank escrow services, roughly 30 percent through the mail and 10 to 15 percent through walk-ins. The collector holds the money in an account until the checks clear and then turns receipts over to the treasurer every Tuesday, with turnover sheets provided to the treasurer and a copy to the accountant. Delinquent accounts are pursued in a timely manner, moved into tax title and transferred to the treasurer. The collector maintains an up-to-date receivable control that is reconciled with the accountant every quarter. In accordance with state law, the office responds to requests for municipal lien certificates promptly.

Conclusion - The collector's office performs all of the statutory duties of the office well. Still, cash flow could be improved by moving from semi-annual to quarterly collections of water/sewer bills and we recommend as much. In addition, building inspection fees should be turned over directly to the treasurer rather than to the collector.

Recommendation 31: Issue Water and Sewer Bills Quarterly

We recommend the town shift the collection of water and sewer bills from semi-annual billing to quarterly billing. Quarterly billing would achieve more evenly distributed revenue collections during the year, and create opportunities to increase investment income potential. With improved cash flow, the town can reduce or eliminate tax anticipation borrowing costs.

Before making this decision, the town administrator should initiate a meeting of persons from departments that would be impacted. At issue would be the ability of the water/sewer department to complete and process meter readings four times each year, as well the capacity of

the collector's office to receive, post and deposit payments twice as often. These are not insurmountable issues, but should be addressed in advance.

Recommendation 32: Discontinue Collections Verification by Collector

We recommend that the collector discontinue his verification of daily collections, as it is a duplication of effort. Under current practice, upon receiving payment at the collector window, staff post the amounts paid to VADAR from the town copy of the bills. Separately, an adding machine tape of corresponding checks and cash is run, as preparation for making bank deposits. Staff reconcile the VADAR report of receipts against the tape totals and, if they match, create a batch for deposit. As a further check, the collector reviews the merged batch for correctness against the tapes. This is an unnecessary duplication of effort.

Reconciling the VADAR report of posted amounts to totals indicated on tapes is an accepted and sufficient check and balance prior to depositing funds. If the assistant collector misposted in VADAR or errs on the deposit tapes, the discrepancy would present itself when compared and it would be corrected.

Recommendation 33: Cease Departmental Turnovers to Collector

We recommend that any department that turns over receipts to the collector's office should cease. We are aware that the building department, and perhaps other departments, turns over fees it collects directly to the collector. It should instead turnover receipts to the treasurer. Although a town collector can receive over-the-counter payment of any town receipts, this authority is not intended to include receiving monies already taken-in by other departments. M.G.L. c. 44 § 53 directs that all revenue received by any municipal official or department be turned-over directly to the treasurer, not to the collector. Present practice creates an additional step and unnecessary work for collector's staff, which if corrected, would impose no greater burden on the treasurer's staff.

Recommendation 34: Create a Log to Track Trash Stickers

We recommend that the collector maintain a receipt book or some other record of trash stickers. Clinton's rubbish enterprise fund charges for its curb-side trash service on a pay-as-you-throw basis. Bags affixed with town trash stickers are picked up at the curb. The stickers are under the control of the collector and may be purchased at his office in town hall or from a dozen retail outlets around town for \$2 apiece. The collector is the custodian of the sticker inventory which he orders 400,000 at a time and re-supplies the retail outlets at their request. To ensure that the distribution of stickers and sticker revenue are properly accounted for, we recommend that the collector create and maintain a log to track inventory in an electronic spreadsheet.

Accountant

The accountant has a legal obligation to oversee all financial activity of a 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 role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue and is typically involved in the annual budget process.

Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end Balance Sheet (for free cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The Clinton town accountant is appointed by and reports to the selectmen. She has been employed by the town as accountant for two years, and served the previous six years as Clinton's assistant accountant. She is assisted by a part-time assistant whose 20 hour work week will soon be increased to 25 hours a week.

In terms of fulfilling her primary duties, the accountant's office functions well. The full-time assistant enters data from invoices for the town's departments so that vendor warrants can be prepared for the selectman's approval bi-weekly. The assistant also checks the assistant treasurer's payroll entries against departmental time sheets to prepare payroll warrants weekly. The accountant with the town administrator produces a revenue estimate for use in the annual budget process. Reconciliations of cash and receivables with the treasurer and collector, respectively, now take place regularly, and monthly revenue and expenditure reports are prepared. However, in the last seven years the town's Schedule A has not been on time and submission of the town's balance sheet to DOR has generally lagged.

Conclusion — The accountant's office functions well and fulfills fundamental responsibilities relative to the general ledger, the payroll and vendor warrant process, as well as to fulfill regular reporting requirements. However, we make several recommendations to reduce the office workload by requiring departments to have additional responsibilities regarding their expenditures and for her to reduce the level of detail she records on school expenditures. We also recommend that the accountant receive all grants and contracts so that she can verify compliance before funds are disbursed.

Recommendation 35: Grants and Contracts to Town Accountant

We recommend that the accountant receive copies of all contracts and grants. All departments, boards and commissions are required to submit copies of all grants and contracts to the accountant's office under M.G.L. c. 41 § 57. The accountant must be able to confirm that sufficient funds exist in accounts against which vendor payments are charged, and verify that the terms of the contract or grant are met when reviewing payment requests.

Therefore, whether a department reports to the selectmen or to an independently elected or appointed board, it must submit contracts and grants to the accountant's office. If a bill is submitted for payment and the contract that contains information to payment terms is not on file, the accountant should not process the payment until said contract is presented.

Recommendation 36: Departments to Monitor Own Expenditures

We recommend that department heads be responsible for their own expenditure control and rely less on the town accountant. Department heads should monitor, or assign a staff member to monitor, their own budgets. Using a simple Excel spreadsheet, the departmental annual appropriation should be offset by expenditures as represented by invoices submitted each week to the accountant. In this way, the department can maintain a running balance of unspent funds which should be verified each month against the accountant's expenditure report. Then department managers will have immediately within reach an accurate, up-to-date record of unexpended money.

Recommendation 37: Departments to Record Vendor Numbers on Invoices

We recommend that departments place the vendor account number onto invoices they submit to the accountant. Before posting invoices into the BMSI software, the assistant accountant sorts all the vendor invoices alphabetically and then copies the vendor account number onto the invoice to assist her in posting. Instead, this necessary task should be completed at the departmental level. It can be accomplished if the vendor names and account numbers, in a simple Excel spreadsheet, can be made accessible to each department on a shared network drive. Where departments do not have access to a shared drive, the list in hard copy should be provided. If the capability existed, to reduce the burden on the accountant's office, we would recommend that each department enter their own invoices. However, not all departments have access to the BMSI software.

Recommendation 38: Eliminate Duplicate Entry of School Invoices

We recommend that the accountant seek ways to eliminate duplication of entry for accounts payable vouchers from the school department. The town and schools maintain two

separate financial systems based on different software applications. Because of the separation that exists, the school must submit invoice vouchers to the accountant which are posted so that checks can be printed. This creates a situation in which the schools are keying expenditure information into their system while the town accountant's administrative clerk is data entering the same information into BMSI. The natural solution is for the town and school to solicit technology support to develop a "bridge" by which school data can be uploaded from its software directly to BMSI. This method is common in many communities where different town and school systems are used. This would save the assistant accountant considerable time as school invoices represent 300-350 of the 500-550 vendor checks that are paid with each biweekly warrant.

Recommendation 39: Submit Schedule A on Time

We recommend that the accountant prepare and submit the Schedule A on time, every year. The Schedule A is a detailed statement of the revenues received, expenditures made and all other transactions related to the town's finances during the previous fiscal year. This information is retained in the DLS municipal data bank and also sent to the U.S. Census Bureau to fulfill federal reporting requirements. Failure of a municipality to file by October 31 may result in withholding major distributions of state aid. Clinton has not met the October deadline since fiscal 2000.

We understand that the delay in recent years was related to the problem of reconciling cash with the treasurer. Even though that problem seems resolved, we encourage the accountant to determine if the BMSI software can be programmed to generate financial data in formats and groupings that reflect those required in the Schedule A. In this way, the amount of work necessary to complete the Schedule A can be reduced, and the prospects for meeting the October 31 deadline can increase.

Assessors

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect real estate tax, personal property tax and motor vehicle excise payments. In Clinton there is a three-member elected board of assessors with staggered three-year terms who also serve as full-time department employees. In addition to the traditional board responsibilities of approving abatements and exemptions, estimating new growth and setting the overlay as part of the budget process, they fulfill all the administrative and valuation functions required of the office .

To ensure that residents are taxed equitably and accurately, an assessing office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during an on-going property measure and list program. Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors set the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to document an annual property value adjustment analysis and to prepare for state certification of property values every three years.

The volume of work in the Clinton assessing department involves approximately 4,165 residential real estate parcels, 243 commercial/industrial accounts and 228 vacant parcels. There are an additional 126 personal property accounts. All are billed on a quarterly basis. Over the course of one year, motor vehicle commitments total about 12,500 accounts. All properties are inspected every six years as part of a cyclical re-inspection program and building permit inspections are performed on a regular basis. Also in fiscal 2007, the office issued 218 personal exemptions. On average, the assessors approve six-to-ten of approximately 35 abatement applications each year.

Most office functions are performed in house by the three assessors. Residential property inspections as part of a cyclical re-inspection program and building permit inspections for the calculation of new growth are conducted, although sale properties are not typically inspected. Commercial/industrial property valuations are performed by an outside contractor, Vision.

The computers in the office are installed with Vision appraisal software which stores property data and aids in property valuation analyses. The assessors are generally satisfied with the performance of the software.

Conclusion — From the perspective of DLS and in the opinion of the town's BLA community advisor, the assessing office fulfills its function and reached compliance with BLA accepted practices and state regulations. For the most part, the chief assessor structure works and our recommendations are minor. However, looking long-term, it is unlikely that the current structure is sustainable. It is likely to become increasingly difficult to attract qualified individuals from within the town who are willing to run for elected office and serve as a full-time

employees. The trend in Massachusetts towns is more toward appointed, part-time boards whose members serve as volunteers. The day-to-day assessing office demands are then met by a full-time professional who is appointed.

Recommendation 40: Send Out Sale Questionnaires

We recommend that the assessors regularly send out sales verification questionnaires. Assessors must gather and analyze sales data in order to conduct a mass appraisal program that fairly values the community's property at full and fair market value. Sale details of comparable properties are the primary indicators of property values in a community. The validity of the sales analysis depends in large part on the selection of arms-length sales. Sales questionnaires are one method to determine whether the sales is arms-length or whether there are special circumstances. Under any circumstance, sale questionnaires represent another information source to ensure that property records are accurate and up-to-date.

Recommendation 41: Inspect All Sale Properties

We recommend that the assessing office inspect all sale properties. Sales inspections will enable the assessors to verify existing data, monitor property renovations and to identify more readily market trends within the community. Currently, the office does not regularly inspect sale properties. However, sale properties are critical to the determination of value for all the parcels in town, so if there are errors in the data, the mistakes will be widespread. Therefore, to enhance the reliability of the data, the office should inspect all sales properties.

Recommendation 42: Reformat Billing Address Information

We recommend that the assessors work with the collector and software companies to alter how old and new property owners appear on bills. State law requires that real estate taxes be assessed to the property owner as of January 1 of each year. If title to the property is transferred later, the new owner is listed in the assessors system as a "care of." When the tax bill is mailed, it is addressed to the old owner c/o the new owner at the property location. However, if the old owner instructs the post office to forward his or her mail to a different address, the bill goes there instead, and is subsequently returned to the town without payment.

To ensure that the tax is received by the new or current owner, the software from which bills are printed need only be reprogrammed to display the old owner's name apart from the address which would retain the new owner's name. If bills go out in a window envelope, the prior owner's name can appear on the face of the bill, but outside the window. If self-contained, perforated bills are used, the prior owner's name can be printed in some other location on the face of the bill apart from the mailing address. The result should be far fewer returned envelopes with unpaid bills to the collector's office.

Acknowledgements

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