

TOWN OF DOVER

FINANCIAL MANAGEMENT REVIEW

SEPTEMBER 2020



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

September 11, 2020

Board of Selectmen
Town of Dover
Dover Town House
5 Springdale Avenue
Dover, MA 02030

Dear Board Members,

I am pleased to present the enclosed financial management review for the Town of Dover as requested by the Board of Selectmen. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding this report, please contact Zack Blake, Technical Assistance Bureau Chief, at 617-626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Cronin".

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the request of the board of selectmen, the Division of Local Services (DLS) Technical Assistance Bureau completed this financial management review for the Town of Dover. The scope of our review was defined in discussions with the town administrator and select board chair and focuses on the town's financial management practices and procedures.

This report offers guidance designed to strengthen governmental operations and enhance efficiencies and effectiveness through best practices, training, and policy. The following report will provide recommendations based upon interviews with senior managers and department staff, review of the town bylaws and associated documents, and examination of historical financial data. We believe this report will support Dover in its ongoing efforts to leverage new technology and approaches, codify best practices, and develop financial management policies based on community-driven priorities during these uncertain times.

As this report was being developed, we entered into uncharted territory due to COVID-19, which is forcing all levels of government to address significant changes in financial conditions due to closing the economy and uncertainty about how long it will last. It is now more important than ever for leaders to plan for this new fiscal reality, as unknown as it is, and to focus on maintaining fundamental governmental services.

COMMUNITY PROFILE

Situated less than 20 miles from Boston, the Town of Dover is a rural suburb located in Norfolk County. While other communities in Greater Boston have long since transformed into commercial and industrial hubs, Dover proudly retains its small-town roots and pastoral charm through its long history of prioritizing land conservation and adhering to strict zoning and building requirements. Dover's overall financial health is strong due to its steady tax base, yet a small-town approach to local administration and operations means the community has been outpaced by its counterparts in certain aspects of modern municipal governance.

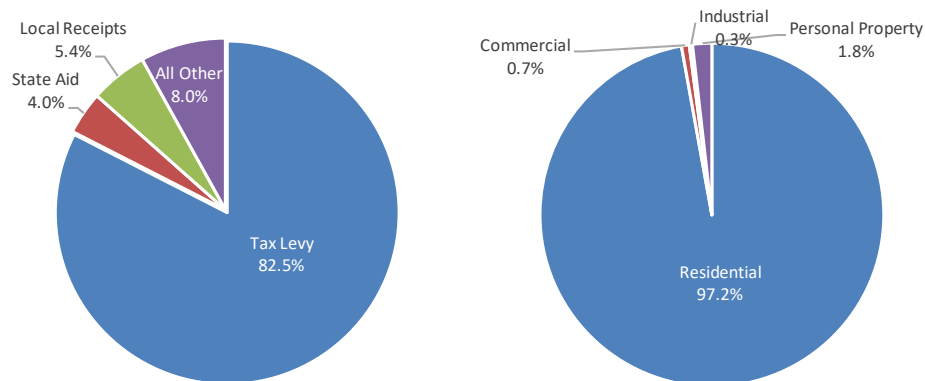
Dover's executive governing branch is an elected, three-member board of selectmen with an open town meeting functioning as the legislature. The board of selectmen appoints a town administrator, who is charged with overseeing the town's day-to-day functions, as well as planning and coordinating

its long-range goals. A warrant committee, consisting of nine volunteers, advises town meeting voters on the various articles presented at all town meetings, spending the majority of their efforts on the finance-related articles. Along with the warrant committee, an enthusiastic volunteer force from the Dover community serve on the other various elected and appointed boards, committees, and commissions.

The town’s ongoing operating budget funds the full range of municipal services customary for communities of its size, including police, fire, and public works departments, a town library, senior center, and public education. Known for schools that consistently rank among the best in the state, Dover is part of the of Dover-Sherborn Public Schools system and provides prekindergarten through fifth grade education at the Chickering Elementary School. Students in grades sixth through twelve attend Dover-Sherborn Regional for middle and high school with a small number electing to attend the Minutemen Regional Vocational Technical for high school.

Four major sources of revenue fund the operating budget. For FY2020, of the total \$41.7 million, \$34.5 million was financed by from the tax levy, \$1.7 million from state aid, \$2.3 million from local receipts (e.g., motor vehicle excise, property rentals, and licensing and permitting fees), and the remaining \$3.2 million from other available funds. As a result of Dover’s commitment to the preservation of open space within the 15.4 square miles of the town, the tax burden is predominately borne by the residential class, which constitutes over 97% of the total tax base.

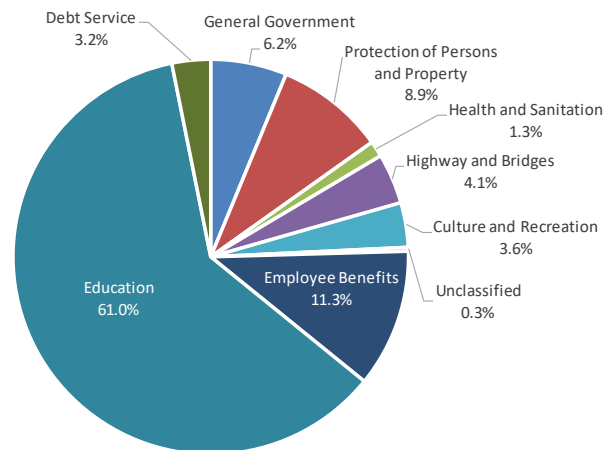
FY2020 Total Operating Revenues by Source
\$41,746,455



Characteristic of a community with high income and education levels among residents, public education represents an area of priority and investment with the residents directing the single largest portion at 61% of the general fund operating budget to school expenses. A combination of debt and

other fixed costs (e.g., health insurance and pension benefits) represents just over 14% of the budget, while protection of persons and property makes up 9%. General government, including costs associated with administration and operating the various finance offices of the accountant, treasurer, tax collector and assessors, comprises only 6% of the total operating budget. Culture, recreation, and human services make up the remainder.

FY2020 General Fund Operating Budget
\$38,046,527



Large residential lots and pastoral ambiance reflect the town’s high-income levels and property wealth. Typical of the area and consistent with the town’s bordering communities, Dover’s income per capita is the second highest in the state at \$266,086. The average single family home in Dover is valued at \$1,221,117, with an average single family tax bill of \$15,679. The town’s per capita equalized valuation (EQV), which represents the full and fair cash value of all taxable property, of \$433,733 is in the top 10% of the state. EQV is used to calculate various state aid allocations (e.g., Chapter 70) and assessments (e.g., county tax, mosquito control) and the Town’s debt limit. As a result of this calculation, Dover receives limited state aid compared to the majority of the Commonwealth’s 351 municipalities.

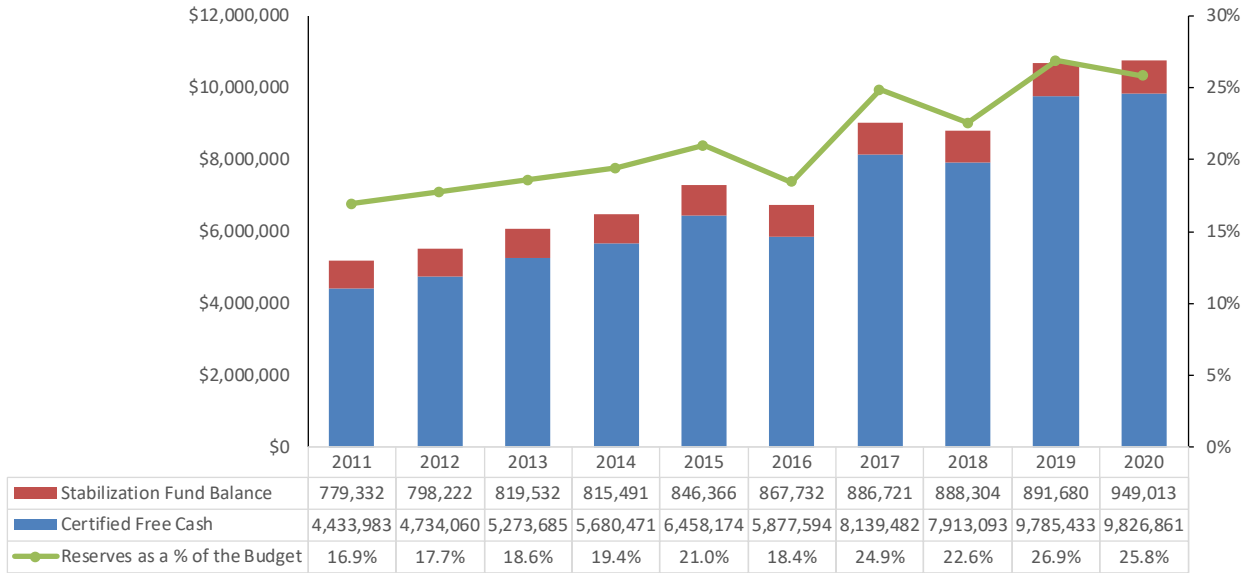
As shown on the next page, Dover’s average single family tax bill and value are much greater than the county and state, ranking fifth and eighth in the state respectively. However, in the context of the town’s income levels, the tax burden is significantly less. When the residential tax levy per capita is divided by per capita earnings, the tax burden falls to one of the lowest in the state at less than 6% of total income. For comparison, the four communities closest in population size to Dover in Massachusetts (Hopedale, Orleans, Chatham and Mendon) possess tax burdens of 16%, 13%, 9% and 12%, respectively.

	Average Single Family Tax Bill	Average Single Family Value	Average Tax Bill as a % of Value	DOR Income Per Capita	Average Tax Bill as a % of Income	EQV
Dover	15,679	1,221,117	1.28%	266,086	5.89%	433,773
Contingent Communities	11,624	865,777	1.34%	120,822	9.62%	293,649
Norfolk County	7,842	578,491	1.36%	65,741	11.93%	215,584
Statewide	6,176	453,168	1.36%	45,800	13.48%	181,056

Dover holds an enviable position within the municipal finance landscape regarding their credit quality. Moody’s Investors Service evaluates ongoing management practices and policies when reviewing a town’s ability to pay the debt obligation on issued municipal bonds. In July of 2019, Moody’s reaffirmed Dover’s highest available bond rating of Aaa, continuing the position the town has held since 2003. Fundamental factors attributed to this rating include a very healthy financial position with a fund balance in excess of 30% of operating revenues and a tax base with a strong wealth and income profile.

Fund balance includes a community’s available reserves. In municipal finance, these reserves are represented by stabilization funds and so-called “free cash.” Free cash is a community’s remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. The Government Finance Officers Association (GFOA) recommends an overall reserve balance between 5 and 15% of a community’s general fund budget, a level Dover has consistently exceeded for the last ten years. While such reserves represent a reliable fiscal scaffolding, attention to the management of those reserves in relation to broader fiscal stewardship and financial planning policies would position the community to better leverage this abundant resource in a more proactive and deliberate manner.

Free Cash and General Stabilization Fund as a Percentage of General Fund Budget



In the following report, we provide our observations, analyses, and recommendations divided into four subject areas: structure, human resources, financial management operations, and financial planning. Many of these recommendations correspond with the strategic goals set forth by the board of selectmen and the town administration and are meant to assist the community in implementing financial management practices for future success. The recommendations are policy driven, procedural and financial in nature, and almost all impact multiple municipal departments. It is important for Dover’s local officials to work together, communicate, collaborate, and achieve consensus on an implementation strategy that will ensure the likelihood of their shared and desired outcomes.

A. STRUCTURE

Dover has an open town meeting-select board-town administrator form of government organized under a combination of state statutes and local bylaws, but without a charter. State statutes generally provide allowable methods of governance and often offer guidance on minimum requirements. A charter establishes and defines a community's particular government structure by creating offices and distributing the powers, duties, and responsibilities within them, while bylaws enable a community to establish specific authority and procedures by which it operates. Dover's bylaws provide few details related to the duties and functions of town officers; they simply state that such a position shall exist. Membership is defined for boards and committees, but again limited guidance is provided for their duties.

The three-member board of selectmen appoints a town administrator as the chief administrative officer. The town administrator is empowered with general administrative authority over departments and staff appointed by the board, excluding the police and fire departments. The bylaws provide no further duties or authorities. By job description, the town administrator reviews departmental budget requests and oversees the daily administration for functions that fall under the purview of the selectmen including tasks related to planning and implementing long-range goals. The position has financial management responsibilities which include coordination and submission of the board's operating budget, long-range revenue and expenditure projections, and preparation and maintenance of a capital improvement plan. The town administrator manages procurement, serves as a liaison with independently elected officials and their departments, holds periodic department head meetings, and keeps the selectmen informed. The position also serves as the town's personnel director for the administration of human resource functions, collective bargaining matters, benefits, and as ex-officio on the personnel board.

The town administrator is supported by an assistant town administrator, who by job description has a variety of functions similar to the town administrator, but with an emphasis on human resources. The assistant town administrator also serves as the public information officer, supporting and managing the town's communication channels, including social media, taxpayer inquiries, the municipal website, town affairs, and local events.

The current town administrator, who started in Dover in July 2019, replaced the first and only other town administrator after almost two decades of service. To ensure continued administrative oversight during the transition, Dover engaged the services of a retired town manager who continues

to support the community at a senior level by providing assistance, direction, and stability to the finance team.

Annually, the board of selectmen develop goals and objectives to be implemented by the town administrator. The board generated an extensive list for FY2020, encompassing the town's organizational structure and financial planning for long-term sustainability, including a request for this report. Our first set of recommendations center on the town's current organizational structure, including establishing a town charter and strengthening the role of the town administrator.

A-1. Establish a Town Charter

We recommend that Dover adopt a charter to clearly define the government structure under which the town operates. A formal charter documents all positions, boards, and committees, establishes the distribution of power, and provides clear lines of authority. It would enable Dover to institute structural changes, which would help meet the town's long-term goal of improved management and efficient operations.

The town has two options when considering adopting a charter, differing in timing and legal requirements. Most frequently, towns form a government study committee to examine, through an open process, the structure and operation of government. If change is warranted and a charter is recommended, the committee drafts the proposed charter as a special act or Home Rule petition, which then requires the approvals of town meeting, town voters and the state legislature. This process allows the formation of a balanced, open-minded committee and a manageable timeframe for completion of the committee's work. Alternatively, town's voters can elect a nine-member charter commission under [M.G.L. c. 43B](#). This statute directs the commission to meet certain procedural requirements and to complete its final report within 18 months. Any recommendation by the commission would then be placed before the voters for final acceptance or rejection. A summary of the two methods is in the appendix.

A-2. Perform a Comprehensive Review of the Bylaws

The purpose of a charter is to lay out a community's governmental configuration through broad statements of roles, relationships, and policies, whereas the bylaws serve to provide color and detail. The charter and bylaws are meant to be companion documents that provide the foundation for long-term stability with the flexibility to adapt as circumstances warrant.

Currently, the bylaws offer only scant information on the town's financial operations and duties. In the absence of a charter, Dover's bylaws should be more comprehensive and informative than they are presently written. Therefore, regardless of the town's decision to develop and adopt a charter,

we recommend that Dover conduct a substantive review of its bylaws. This can be accomplished by the board of selectmen appointing a bylaw review committee consisting of a combination of three to five residents and town officials. Committee members should be charged with reviewing the existing bylaws, issuing recommendations related to those that should be retained, amended, or deleted, and proposing new bylaws for adoption. They should identify any missing positions, boards, and committees, and consider codifying financial procedures (e.g., budget process, capital planning). For guidance, the committee can examine bylaws of other towns and seek input from residents, employees, and officials through public forums. At minimum, a one-year timetable should be anticipated to complete this work, and the revised code will need to be approved by town meeting and the state attorney general.

A-3. Codify Position of Strong Town Administrator

We recommend that Dover codify a strong town administrator. This can be accomplished in the charter, as a special act, or at a minimum in the bylaws, although expanded powers are most effectively, and sometimes exclusively, transferred through a charter or special legislation. Dover operates under a weak town administrator structure, with duties and responsibilities defined only by job description. The town administrator lacks any formal authority and oversight responsibilities are vested with part-time elected and volunteer boards and committees. As a result, the town administrator exercises no direct control and must steer government by seeking buy-in from multiple elected and appointed stakeholders. Conversely, many communities, including the vast majority of the comparable AAA credit rated towns, benefit by a town administrator position with clear lines of authority. Through appointing authority and budget control, the town administrator can serve as the catalyst for more responsive, effective government. Further, in creating accountability where it previously did not exist, initiatives are better coordinated, and goals are implemented uniformly across town departments.

The administrator should be responsible for the appointment, discipline, and removal of all non-school department heads, subject to the board of selectmen's approval. This would include the appointment of managers working for elected boards. (Boards and committees retain their oversight role through screening candidates or advising on selections). The town administrator, as the town's chief administrative and financial officer, would and should coordinate financial management activities and oversee all municipal operations. This role should include, among other responsibilities, the following:

- **Municipal Operations** – The town administrator should oversee administrative functions of town government to ensure all services are coordinated, cost effective, and consistent with long-term policy decisions. The town administrator should be responsible for

appointing, supervising and evaluating all department heads in order to create a more consistent and accountable local government. The administrator should convene monthly department head meetings to ensure communication on future planning issues, ongoing activities, and other matters as they arise. Specific attention should be paid to confirming that reconciliations are completed timely, associated financial reporting is prepared, and policymakers are updated.

- Budget and Capital Planning – The town administrator should orchestrate the annual budget process for all departments. This includes developing revenue and expenditure assumptions, preparing multi-year forecasts, working with departments to finance major capital purchases, drafting departmental guidelines, preparing a balanced budget proposal and presenting it to policymakers. The town administrator should be updating revenue and budgetary information as it becomes available and providing managerial and analytical support to the warrant committee so they may review proposals and focus on important policy decisions within the budget process. The administrator should coordinate Dover’s capital improvement program to produce and maintain a multi-year plan, explore methods of financing it, and present it in conjunction with the budget proposal. The warrant committee and the capital budget planning committee would continue to make budget and capital spending recommendations to town meeting, respectively.
- Procurement – The town administrator should function as the chief procurement officer, coordinating the purchasing of all supplies, materials and equipment for the town and ensuring compliance with state procurement laws under [M.G.L. c. 30B](#), as well as managing all service and construction contracts and leases.
- Human Resources – The town administrator should have oversight responsibility for human resources. This would involve confirming that personnel procedures are comprehensive and conform to state and federal laws and town policies and managing personnel costs including collective bargaining agreements negotiations and acceptability appropriateness of pay and classification and compensation schedules.

A-4. Consolidate Financial Operations in a Municipal Finance Department

We recommend that Dover consider creating a consolidated finance department. Under its current structure, the board of selectmen and town administrator recognize that the town’s financial team must operate with a higher than necessary degree of interdepartmental coordination in order to meet its statutory responsibilities, achieve departmental goals, and serve the residents and

taxpayers. Dover would benefit by formally consolidating the offices of the accountant, treasurer/collector, and assessor into a municipal financial department under the supervision of a permanent finance director.

A finance director's overall mission should be to coordinate the town's financial management, monitor its fiscal health, analyze data for long-range planning, and keep policymakers and administration continually apprised on financial activities. In addition to supervising and directing the activities of finance department managers, the officeholder should assist the town administrator with developing the annual operating and capital budgets and drafting, analyzing, and advising on financial policy and strategies. Coalescing the accounting, treasury, collection, and assessing functions, a financial director would:

- Provide timely direction and oversight on financial matters
- Streamline reporting relationships among the financial offices
- Clearly define responsibilities and procedures facilitating intra- and interdepartmental coordination
- Ensure timely compliance with internal and external reporting
- Provide periodic and ad hoc fiscal analysis to departments, boards, and committees
- Facilitate the annual audit engagement and develop and monitor corrective action plans
- Assist the town administrator in preparing multiyear revenue and expenditure forecasts
- Monitor progress of capital projects
- Compile personnel costs for the annual budget

In a town the size of Dover, this role is often a dual role combined with the town accountant or the treasurer/collector. We caution, however, that the role of finance director is different from that of town accountant or treasurer/collector. Although these positions require strong bookkeeping skills and attention to detail, a finance director must also possess leadership, teambuilding, and strategic management abilities. The finance director will supervise the accounting office, as well as the treasurer/collector and town assessor. Other employees within each department will remain as they are today reporting to the same managers. These department heads would be appointed by the finance director upon approval of the town administrator. To accomplish this reorganization requires that the town either adopt [M.G.L. c 43C, § 11](#) with a corresponding bylaw or seek special legislation. Sample special legislation is included in the appendix.

A-5. Convert to an Appointed Board of Assessors

We recommend that the town convert the board of assessors to an appointed board. An appointed board would be consistent with a strong town administrator overseeing municipal operations, with

the town assessor reporting to either the town administrator or the finance director. The assessing office is central to the financial operations throughout the year, requiring coordination and cooperation amongst officer holders. Further, a clear trend has emerged among Massachusetts communities in favor of appointed positions. Most act under a prevailing theory of government practice that policymakers should be elected, but operational positions like the assessors, where certain skill sets are required, should be appointed. If the town wishes to make the board appointed, it could do so through town meeting acceptance of [M.G.L. c. 41, §25](#) followed by a subsequently approved town-wide referendum. We suggest that the board of selectmen appoint the board of assessors and the town administrator, subject to approval by the board of selectmen, appoint the town assessor.

B. HUMAN RESOURCES

Dover's bylaws establish a process by which personnel policies are adopted and a system of personnel administration is created. It applies to all town departments and positions but excludes elected officials. For union members, collectively bargained contract provisions prevail if they conflict with the town bylaw or personnel policies.

The bylaws establish an appointed, five-member personnel board with staggered three-year terms. The personnel bylaw (chapter 44) further defines the board with three members appointed by the board of selectmen, one member by the moderator, and the final member by the warrant committee. The town administrator serves as an ex-officio member. The duties and authority defined in this chapter make the board responsible for developing personnel rules and regulations, including disciplinary procedures, recruiting and selecting employees, developing an employee classification and compensation plans, and addressing other elements deemed necessary subject to approval of the board of selectmen. The personnel rules and regulations are detailed in a policy handbook developed by the personnel board and accepted by the board of selectmen. These regulations place the town administrator subordinate to the personnel board and require consultation with the board concerning personnel matters.

For several years, the personnel board has prepared a compensation analysis and made recommendations for annual wage increases. They take into account compensation data of comparable communities based on geography, as well as statistical data from the U.S. Department of Labor. The cost of the recommended increases is provided for current year.

Conversely, the town administrator's job description, as the personnel director, deem the position responsible for human resources administration, including appointing employees reporting to the board of selectmen, authorizing payroll changes, and attending to collective bargaining agreement issues. Simultaneously, the assistant town administrator's job description includes many of these same duties as the human resource director. Employee benefit administration, including coordinating the annual open enrollment period is handled by the treasurer/collector's office.

Annually, the personnel board reviews the town's compensation plan as well as federal, state, and local data to evaluate potential wage increase recommendations. Using a consistent and data driven approach, the board's goals are to keep a qualified workforce compensated comparably to other communities.

B.1. Consolidate Human Resource Responsibilities

We recommend that the board of selectmen and the town administrator reconsider how human resource responsibilities could be organized or deployed more effectively. In Dover, the town administrator, assistant town administrator, personnel board, treasurer/collector, and payroll clerk are among those involved in overseeing human resources or personnel-related functions for the town. While similarly overlapping configurations of duties remain common in municipal government, proper personnel management requires extensive human resource experience and broad knowledge of all local, state, and federal compliance requirements. When personnel activities are cobbled together between officials and volunteers, the town is ill-equipped to deal with ever-changing rules and regulations or other technical aspects of the job. Furthermore, the town exposes itself to unnecessary liabilities when it lacks a properly trained and dedicated personnel staff to address issues in a timely, professional manner.

The town's labor force, including the costs of compensation, fringe benefits, professional development, and other related expenses, is easily its largest annual expenditure. Employees constitute an active investment. When properly trained, managed, and deployed, municipal employees provide efficient and cost-effective services directly to residents, businesses, and visitors in a manner unmatched by any other form of government. Moving forward, the town administrator should strive to consolidate human resources into a single designated human resource professional position. This position should report directly to the town administrator. As workplace requirements, collective bargaining agreements, and benefit programs grow in complexity, the town bears an increasing responsibility to provide proper working conditions, ensure consistent personnel policies, and meet minimum compliance standards, otherwise they may be exposed to potentially costly lawsuits or penalties.

Consolidated human resource duties should include:

- Provide timely direction and oversight on employee matters
- Develop and administer personnel policies and procedures to ensure consistent interpretation and application among all town departments
- Administer employee benefit programs, including health, dental, life, and disability insurances, unemployment insurance, workers' compensation, and employee assistance programs
- Maintain employee classification, benefit, and compensation plans
- Direct employee recruitment and hiring activities
- Coordinate orientation, training, and employee recognition activities
- Manage the collection, custody, and compliance reporting of employee data to local, state, and federal agencies
- Assist local officials during collective bargaining negotiations, labor relations issues, grievances, arbitrations, and disputes
- Develop labor cost impact studies, plans, and forecasts

B.2. Disband the Personnel Board

We further recommend that Dover disband the personnel board and revise its bylaws to remove all references to it. Currently the varied personnel duties provide duplicative functions and conflicting responsibilities. With personnel consolidated under a human resource professional, under the direction of the town administrator, the board represents an additional layer of unnecessary bureaucracy. While the work of the personnel board has played a supportive and guiding role historically in the town, it is a vestige of an antiquated approach to local government administration. When viewed as a professional organization with a budget of over \$40 million, it is appropriate for the town to employ its own human resources staff to address the needs and challenges of the modern workforce.

Additionally, to fully understand labor costs, analysis should be determined by the finance team as part of a multiyear forecast that takes into account all components of employee compensation (e.g., salary, step increases, stipends, longevity) and long-term compounding costs.

B.3. Implement a Human Resource Information System

As part of a complete review for consolidating human resources, we recommend that the town explore and implement the use of the human resource information system (HRIS). A comprehensive system will help manage and report the complex data required by federal, state, and local agencies and mitigate the risks presented by incomplete recordkeeping. To lessen various risks and avoid

significant penalties, personnel management not only requires highly trained staff but also adequate employee tracking systems to maintain complete and accurate personnel records, develop and implement consistent employee policies, and report required data to regulatory agencies.

The town may consider the possibility of fully utilizing the HR capabilities in the current payroll system as well as conduct an assessment for a stand-alone HRIS that could be integrated with the current system. In either case, direct input by employees for time and attendance tracking should be a minimum requirement. Either way, payroll processing in the treasurer/collector's office becomes much more efficient and the employees have the benefit of current accumulated leave balances, benefit information, and other personnel data.

C. FINANCIAL MANAGEMENT OPERATIONS

In our review, we examined Dover's overall financial management operations and the practices and procedures that take place within each of the finance offices. Below is a brief description of the financial operations.

Financial Operations

The accountant's office has a legal obligation to review Dover's financial books and ensure that proper procedures are maintained. In doing so, the department plays a critical role in the system of internal controls and statutory checks and balances established to safeguard local assets through the maintenance of independent records and by following well-defined procedures. To fulfill these responsibilities, the staff prepare payroll and vendor warrants, maintain a general ledger (in which receipts, expenditures, and other town financial activity are recorded), and reconcile cash, receivables, and debt with the treasurer/collector.

The town accountant, appointed by the board of selectmen, is a senior-level manager and custodian of the financial records. Although Dover's town accountant has been with the town for less than two years (January 2019), she has well over 20 years of municipal finance experience and is certified by the Massachusetts Municipal Auditors and Accountants Association (MMAAA). As town accountant, she coordinates the preparation of the annual tax recapitulation sheet (tax recap) and produces the annual Schedule A and the year-end balance sheet submittals required for free cash certification. The

office includes an assistant town accountant with primary responsibilities of preparing the weekly accounts payable warrant, processing departmental receipt turnovers, and verifying payroll data.

The treasurer, as the town's cash manager has custody of all municipal funds, issues debt, posts and deposits town receipts into appropriate bank accounts, and monitors balances to ensure that funds are available to cover obligations. Additionally, the treasurer maintains the cash book, debt schedules, check registers, and tax title and foreclosure accounts. As a financial control, the treasurer is obligated to reconcile cash balances, debt, and payroll deductions on a regular basis both internally and with the accounting office. Dover's payroll and employee insurance benefits are also handled through this department.

The collector issues bills for real and personal property taxes, motor vehicle excise and boat excise, betterments, and makes certain that collections are properly received, counted, and posted to payer accounts. The collector maintains a receivable control that should be reconciled regularly with the accountant's records. To ensure fairness in taxation and the fulfillment of financial obligations, the collector pursues delinquent accounts and places them into tax title and eventually into foreclosure.

In Dover, treasury and collection functions are combined into one office led by a full-time treasurer/collector appointed by the board of selectmen. An experienced treasurer and collector with the town since December 2008, the treasurer/collector is certified for both roles by the Massachusetts Collectors and Treasurers Association (MCTA). He supervises a staff of two: an assistant treasurer/collector and a collection assistant. The assistant treasurer/collector is generally responsible for payroll and human resource-related matters and provides support to the treasurer/collector as requested. The collection assistant primarily provides customer service, such as receiving tax and other payments made at the window and turnovers from departments.

Dover issues property taxes quarterly, mailing individual bills four times per year. For the last few years, the treasurer/collector has maintained a collection rate around 99%. The treasurer/collector's outstanding collection rate and available cash flow provide enough liquidity for payroll and vendor obligations and investment of the town's funds.

The assessing office is responsible for valuing all real and personal property in town and generating the commitments authorizing the treasurer/collector to collect real estate taxes, betterments, and motor vehicle and boat excises. The assessors annually review property assessments to ensure they reflect full and fair cash value, so that residents are taxed equitably and accurately. Subject to the approval of the board of assessors, the town assessor sets the annual overlay amount, provides information and analysis for tax classification hearings and the tax recap, and makes

recommendations on all abatement applications and property tax exemptions. Other duties of the assessors' office include updating tax maps and deed transfer information and responding to public inquiries.

The assessing office is directed by an elected three-member board of assessors who appoint the town assessor and perform the required statutory duties for valuing properties, setting the tax rate, and abatement and exemption processing. The full-time town assessor was promoted by the board in February 2019 after serving as Dover's assessing clerk for seven years. The full-time assessing clerk came to Dover with a municipal collecting background and has been in the assessors' office for over a year handling customer service and clerical needs. This position also prepares the motor vehicle and boat excise commitments while learning new office-related skills on the job. With both individuals relying heavily on on-the-job training, the first municipal cycle was difficult, yet the FY2020 tax rate was still approved timely and tax bills went out on schedule.

The three finance departments in Dover converted to VADAR Systems financial management software, integrating the treasurer/collector and assessing functions beginning with FY2020. VADAR is used to maintain the general and subsidiary ledgers, the receivable controls for taxes, excise and utilities, and to generate the billing files for all committed receivables. The conversion was not complete for all aspects of the operations, causing delays in routine activities, extra or duplicative work, and internal control issues. Other software includes Excel for the cash book maintained by the treasurer/collector and UniBank for online payments. Harpers Payroll Services provides biweekly payroll services. Dover contracts with Patriot Properties to maintain the computer assisted mass appraisal system (CAMA), perform cyclical revaluations, and determine personal and commercial property valuations

Recommendations

The cornerstone to municipal financial management operations is developing, maintaining, and following financial policies. Financial policies provide guidance for local planning and decision making by outlining objectives, defining authority, and providing direction to ensure sound fiscal stewardship and management practices. As outlined in Dover's FY2020 goals, the board of selectmen acknowledged the important role policies play in municipal government to sustain the organization. The town contracted with the Collins Center to develop policies for formalizing sound budgetary and planning practices, as well as strengthen ongoing operations. We commend Dover's commitment to crafting financial policies and fully support the Collins Center's proposed roster of policies.

In the following recommendations, we outline several opportunities to improve the fiscal operations and procedures carried out in the town's finance-related departments. Some of the town's current operations conflict with generally accepted municipal finance best practices as implemented in other communities and recommended by DLS. Specifically, the lack of reconciliations both within the treasurer and collector functions and between those functions and the accountant are especially troubling. The lack of up-to-date reconciliations undermines the credibility and integrity of the town's financial position and cause recurring delays in closing the financial records, submission of required reports to DLS, and the preparation of the annual outside audit. VADAR going "live" in July 2019 for FY2020 without full implementation of the system contributed to the town accountant's difficulty maintaining current general ledger balances throughout the year and quickly resolve discrepancies between the financial offices.

Additionally, although the town administrator instituted financial management team meetings that include the town accountant, treasurer/collector and an assessor, Dover still lacks the required coordination and attention to processes between and among finance officers related to their responsibilities. The following recommendations are designed to address those issues and support the ongoing and aspirational efforts of the department to operate effectively. Further, all the recommendations should be implemented with a corresponding policy, either developed by the Collins Center or separately within the finance team.

C.1. Modify and Reconcile the Cashbook

In order to have an effective system of internal controls, the treasurer is required to maintain a current cashbook and perform individual bank statement reconciliations with all reconciling items properly documented in a timely and accurate manner. The cashbook is the source of original entry for recording all receipts, deposits, transfers, and disbursements necessary for tracking the total cash position of the town. Since many of accounting records flow from this primary source document, the cashbook is legally considered a permanent record and is a critical component of financial management. The absence of a complete and accurate cashbook and timely cash reconciliations creates a serious and immediate risk to the community with potentially dire consequences.

While the current Excel cashbook meets the rudimentary requirements to record activity, it is not well organized or effective in following sequential activity that can be verified against the daily bank account balances. We recommend the treasurer/collector convert the existing cashbook to a format that is easily updated, verifiable, and continuously reconciled. One such option, if the treasurer/collector elects to continue using Excel, is to convert the existing cashbook into a format that records the interrelated daily transactions with current bank account balances, such as the DLS Excel cashbook. A template is shown in the appendix. Other options include using the cashbook

included with the VADAR financial package or a stand-alone cash management system that integrates with VADAR. Regardless of platform, the cashbook must be effective for determining the town's cash status at any given time in order to provide accountability and proper management. In its current condition, the cashbook is incomplete, inadequate, and challenges anyone other than the treasurer to determine the community's fiscal position.

We further recommend that the treasurer/collector update the cashbook daily to reflect the most current activity, including monitoring and verifying the actual bank activity to ensure the accuracy of transactions and balances. A system of regular reconciliations is necessary to maintain a consistently accurate picture of the town's cash standing. With the availability of online banking transaction and statement information, the treasurer/collector has the capacity to view current activity and balances daily, enabling him to conduct internal reconciliations throughout the period without waiting for printed statements. Further, reconciling the total bank balance (by individual bank statements) to the total cashbook balance and identifying and documenting differences should be completed in sufficient time in order to make necessary adjustments prior to the end of the following period. These basic actions diminish the potential for unnecessary variances during external reconciliations with the accountant, an issue that has continually persisted. Finally, the treasurer/collector and town accountant should institute a formal month-end reconciliation procedure to provide the town accountant evidence the cashbook is in balance. Specifically, we recommend that the procedures ensure that treasurer's cashbook balances are reconciled with the town accountant within 30 days of month's end. Hard copies of the bank statements should be downloaded, verified against the cashbook, and filed timely and logically to maintain adequate records for annual audit oversight.

C.2. Conduct Cash and Receivables Reconciliations Monthly

We recommend that the town accountant and treasurer/collector reconcile cash and receivables monthly. Final reconciliation of FY2019 accounts was delayed and required assistance from a consultant. At the time of our visit, reconciliations for FY2020 were not yet underway. We further recommend implementing policies and procedures to provide for formalized reconciliation of outstanding receivable balances between balances maintained by the collector and other departments as may be applicable (e.g., police details and ambulance receipts) on a monthly basis. Each month, all reconciliations between the treasurer/collector and the accountant should be formally documented, attested to by both officials, and maintained on file.

Outstanding accounts maintained by the deputy collector should be included in the reconciliation procedures. We recommend the accounts and balances maintained by the collector that have been turned over to the deputy collector be reconciled on a quarterly basis at the very least. This assists in

reducing the risk that activity associated with these accounts (or others) may be misstated or manipulated.

C.3. Standardize Departmental Turnover Forms

We recommend the treasurer/collector develop and institute a standard *Schedule of Departmental Payments to the Treasurer*, or departmental turnover sheet to be used by all departments. In lieu of direct entry by departments into the VADAR receipt system, we suggest using a turnover form created in Excel with a standard format customized by department. Typically, the treasurer, coordinating with the accountant, creates the form once as a customized template and distributes it electronically to each department, board, or committee. To assist processing, the form should contain the department name, dates, and affirmative signatures, with prefilled information for revenue codes or account numbers and descriptions. It is essential that the column for entry of the turnover amounts automatically calculates the total. Customized forms will help the treasurer and accountant post the revenues efficiently and serve as backup documentation for treasurer's cashbook entries.

C.4. Require Independent Turnover to the Accountant

We recommend that the accountant require all departments provide the accounting office an original signed turnover form, independent of the treasury function. Departments turning over money to the treasurer are required by statute to provide a copy of their turnover sheet to both the treasurer and the accountant as a key element of the segregation of duties. The accounting office verifies receipt batches, referred to as *Schedule of Treasurer's Receipts*, received from the treasurer prior to posting to the general ledger. To adhere to proper internal control procedures, the accountant must receive an independent copy at the time of the departmental turnover to the treasurer.

C.5. Expand Remote Data Entry

We recommend remote data entry capability in VADAR be expanded to all departments. With proper training, departmental staff could enter their vendor bill data directly into VADAR. As departments become comfortable with this process, remote entry could be expanded to include receipts as well. With the department's entry, data entry transitions from a burden in one office to a shared responsibility of all departments, thereby creating independent data verification and strengthening financial controls. The accounting or treasury staff would match the departments' electronic submissions against their submitted back-up documents before accepting and posting the data to the appropriate system (e.g., warrant, general ledger, or cash book).

C.6. Conduct a Workflow Analysis and Create a Procedures Manual

We recommend the town administrator, or his designee, conduct a workflow analysis of all finance department procedures with a focus on leveraging available technology to maximize efficiencies and

reduce duplicative tasks. One such process worthy of comprehensive review is payroll, ranging from time and attendance input to verification and finalization in the treasurer/collector's and accountant's offices. Other areas warranting proper attention include revenue turnover, accounts payable warrant processing, online payment collection and reconciliation, and financial data and reporting. The process of creating manuals in and of itself can unearth previously unknown redundant controls and inform new risk assessment decisions based on the cost of sustaining particular controls or adding new ones. A detailed Revenue Turnover Workflow is included in the appendix.

The creation of a manual encompassing all the key procedures of the finance department complements and dovetails with workflow review efforts. As initial efforts are undertaken to standardize various policies, formalizing a detailed list of responsibilities for all staff can become an invaluable operational resource. A well-conceived procedures manual provides guidance on a host of financial management activities, serves as a reliable reference tool for staff, helps maintain services when there are unexpected employee absences, facilitates employee time-off, and supports the training of new hires. Equally important, the manual should explicitly highlight internal controls and their function. These controls, which can be preventative or detective, include examples such as segregation of duties, approvals, authorizations, verifications, physical asset security, reconciliations, inventories, as well as policies and procedures themselves.

A comprehensive manual should contain a combination of pertinent policies, statements of objectives, step-by-step instructions, and related software application screenshots. Once developed, these manuals should be stored electronically on shared drives for easy access so that procedures are consistent across departments for shared operations such as turnovers and purchasing. Tasks specifically referencing VADAR should be reviewed and revised by the responsible department with each VADAR update.

C.7. Include all Activity on Warrants Prior to Disbursement

We recommend that the treasurer confirm all disbursements are transcribed on an authorized warrant prior to disbursing funds. All payroll or accounts payable expenses for which the treasurer makes payment must be included on the authorized warrant prior to disbursement. No disbursement can legally occur without the prior review and approval (signature) of the town accountant and board of selectmen. The accountant's review process is a safeguard for the community, preventing the payment of illegal or inaccurate amounts. This includes all debt payments, payroll charges, and other cyclical disbursements initiated from the treasurer's office.

C.8. Discontinue Making Hard-Copy Versions of Assessors' Records

We recommend that staff in the assessing office cease printing and storing hard copy versions of deeds and property record cards. Monthly, the assessing office receives deed information from the Norfolk County Registry of Deeds. The deed is printed and the property record card in the Patriot database updated. Once a year, the department's administrative clerk accesses the Patriot database and prints copies of the record cards for every property in town.

Generating paper documents without a specific business need represents an unnecessary waste of taxpayer resources and staff time. This information is housed electronically through data and digital images stored in the Patriot system and readily available for printout as necessary. The town and Patriot possess formal back-up protocols, and Norfolk County retains ownership of all its information in the Patriot database even if the town changes to a different vendor in the future. While original, hand-printed property record cards are worth keeping for historical reference, there is no legal obligation to annually print out records cards since Patriot keeps audit logs of data updates. Patriot's image storing capabilities also eliminate the need to maintain hard-copy deeds.

C.9. Cease Review of RMV File

We recommend the assessing office discontinue the current practice of reviewing the registry of motor vehicle excise commitment files to verify vehicle values. The assessor receives an electronic file prepared by the registry for every registered motor vehicle and trailer principally garaged in town. The file includes the excise value for the year, which is calculated based on the manufacturer's list price for vehicles of the same make, type, model, and year of manufacture. The assessors simply receive the file; they do not determine the excise value. Therefore, they have no authority to and cannot consider a vehicle's condition, market value, or purchase price in order to change the excise value. The assessor should review and update the file to remove municipal vehicles not subject to the excise. Additional updates may be made for certain exempted organizations or individuals with documentation on file. Beyond this, there is no value added for the time expended.

C.10. Review Town House Office Configuration and Upkeep

The Dover Town House represents a point of pride amongst its residents and serves as a hub of civic engagement. Taxpayers and residents can and should expect a welcoming and professional space. Significant effort and investment have been made to maintain and maximize the building's useful life; however its current physical layout and the condition of some offices do not reflect the standards of a modern professional work environment. The town's ongoing efforts to properly digitize and dispose of old records and files are worthy of praise. This commitment to decluttering should extend to other areas of the building, specifically the office of the treasurer/collector. Analyzing and mapping the best and highest use of the building in relation to its staff, their functions and their interactivity with the

general public should be a priority of the town administrator. Equally important, enforcing a professional standard for all offices will continue to engender the public's trust in the Town House as a worthwhile center of government.

C.11. Seek Municipal Finance Professional Development and Training

We recommend that Dover develop a proactive and systematic approach to professional development and training for the finance team and finance-related boards and committees. By investing time, energy and funds into employee development, the finance team can improve customer service, create efficiencies through appropriate delegation, and assure smooth succession planning. Expanding training to related boards and committees fosters a team approach in and with various offices by establishing an understanding of their responsibilities and interrelationships.

Department heads should meet with employees individually to discuss the breadth of their skills and identify any gaps in an employee's knowledge. These meetings can ultimately serve as a foundational rung on a career ladder, marking progress throughout an employee's continuing educational development. The departments should also dedicate time to hands-on cross-training, especially in critical areas like payroll processing and interdepartmental reconciliations.

Furthermore, DLS recommends the town continue to support attendance at conferences and trainings provided by the associated professional organizations (i.e., Massachusetts Collectors and Treasurers Association, Massachusetts Accountants and Auditors Association, Massachusetts Association of Assessing Officers, and their regional counterparts). Likewise, we encourage attendance at general trainings sponsored by the Massachusetts Municipal Association as well as those specifically offered for select boards, town managers and administrators, and finance or warrant committees. Training provided by DLS, including online resources available in the [Municipal Finance Training and Resource Center](#) and in-person¹ at events like the New Officials Finance Forum and Municipal Law Seminars, are a valuable resource for all finance officials. By attending the meetings and trainings of these groups, municipal public servants can gain concrete, functional information, receive instruction on new best practices in their fields, and interact with and exchange practical tips with their local government.

¹ During the current COVID-19 public health pandemic, these DLS events will take place online.

D. FINANCIAL PLANNING

If a municipal budget is the main policy tool of a town, then the financial planning policies are its roadmap to achieving its priorities. Without mutually agreed upon parameters and guidelines, community finances are prone to political whims and stop-gap solutions that can obscure and delay addressing systemic, structural financial issues. Planning, forecasting, and budgeting all benefit from thoughtful policy development.

The fact that Dover, a community with ample financial resources, lacks many of the policies found in communities with significantly smaller budgets speaks to the need to develop a more formal financial management approach. Efforts are underway with the engagement of the Collins Center that should include developing a free cash policy that dissuades the current practice of utilizing these funds in its annual budget. Additionally, investing the time and energy to establish a recurring funding source for capital, create a special purpose stabilization fund, develop a five-year forecast, and review audit services are long over-due.

The budget process in Dover is directed by its warrant committee. It begins with current year policy guidelines and departmental and committee instructions and ends with the final presentation of the budget to town meeting. Each department is assigned a warrant committee liaison to assist with budget development. Departments enter their budget requests directly into the VADAR financial system prior to review at public hearings when the warrant committee interviews the department heads regarding their requests. The personnel board presents recommendations for salary increases for non-union personnel to the board of selectmen and as endorsed by the warrant committee. At the same time, the finance team prepares revenue projections for the budget year along with associated expenditures.

No detailed budget provisions currently exist in Dover's bylaws, either for the board of selectmen or town administrator. By job description, the town administration is responsible for compiling and presenting department budgets only under the control of the board of selectmen for the board's and warrant committee's review. It is the warrant committee's budget that is presented to town meeting without any official statement from the selectmen. The warrant committee also reviews the capital budget and hosts a meeting on the warrant for citizen review and comment prior to distribution of the warrant.

Dover's bylaws empower the capital budget committee with preparing a capital budget program. The committee includes one representative from the board of selectmen, one from the long-range

planning committee, two members of the warrant committee and three at-large members. Based on board of selectmen policy, all capital items must be requested on standard capital budget request forms, regardless of their size or nature. The capital budget committee independently reviews the requests and provides its recommendation on each item to the warrant committee. Any item over \$10,000 or of a special nature is forwarded to the board of selectmen, who determine whether the item is to be included as part of the annual budget or deserves consideration as a separate article. The board seeks input from the petitioning organization, the capital budget committee, and the warrant committee to make this determination. The source of funding is also considered.

The town meeting warrant for FY2020 presented the voters four stabilization articles for approval or denial. Only a special purpose stabilization fund for Dover's portion of other postemployment benefits (OPEB) for the Dover-Sherborn Regional School District was passed; the other three articles were withdrawn.

D.1. Change the Budget Process and Codify it in Bylaw

We recommend that the board of selectmen exercise their authority as chief policy makers and form the vision, goals, and strategic plans for the town's operations defined by the annual and capital budgets. Further, we recommend the town administrator lead the initial formulation of the annual budget proposal for all departments, including the local elementary school and the regional school assessment.

We suggest that the town administrator initiate the budget process by developing a revenue projection based on input from financial management team members. These revenue projections would then receive consideration at a joint meeting of the board of selectmen, school committee, and warrant committee. The town administrator should also show how those revenue estimates compare to expenditure levels required to implement a "maintenance budget", the name commonly given to a budget that offers that same level of services in the next fiscal year as in the current fiscal year. Doing so will show whether the revenue estimates and the maintenance budget result in a projected budget surplus or deficit.

Once consensus is reached on the revenue estimates, budget guidelines should emerge from this process that will inform and direct department heads as they craft requests for appropriation needs. Once departmental 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 board of selectmen and warrant committee.

This proposal is not meant to lessen the role of the warrant committee in the budget process. Instead, it seeks to reconfigure the current dynamic in order to allow for improved efficiencies and increase opportunities for policymakers to make informed decisions using data that reflects administrative needs and requests. Once the town administrator's budget is delivered, the committee would proceed with their usual budget hearings and evaluate budget requests while considering projected revenues and the needs of the community. Fixed costs (e.g., health care coverage, pension obligations, debt service, etc.) and contractual obligations would factor into and provide context for all policymaking decisions as the budget collaboratively takes shape.

As policymakers rather than administrators, the selectmen and warrant committee would rely on the town administrator's recommendations relative to what departments need in order to operate effectively. The board and committee can train their focus on broader best practices and oversight. For example, the selectmen and warrant committee can and should ascertain if the town is using one-time revenue in excess of policy limits it set for itself and confirm that the capital program is adequately funded. In removing the administrative burden of budget development, leaders are free to engage in dialogue around the financial feasibility and enactment of community priorities.

To achieve these ends, in conjunction with establishing a town charter, we recommend Dover adopt a bylaw that details the key elements of the budget process, including roles and responsibilities, a calendar of events, data collection procedures and required approvals. As the primary policymaking tool, the budget reflects a town's decisions on the allocation of resources. By codifying the process, a community can promote year-to-year consistency and inspire confidence among local officials and residents that decisions are made pursuant to a thoughtful process that endures even as elected and appointed officeholders change.

Among other considerations, a comprehensive budget process bylaw would include the following:

- Calendar of events – Working backwards from the date of annual town meeting, the community sets dates for key events, beginning with a joint kickoff meeting between the board of selectmen, school committee, and warrant committee in the early fall to reach consensus on budget guidelines for the next year. This calendar includes deadlines for submitting operational and capital appropriation requests and the consequences for late submission. Joint meetings with the warrant committee, department heads, and board of selectmen should be incorporated into the calendar schedule.
- Long-range revenue and expenditure forecasts – Assign responsibility for the timely creation and presentation of initial projections and for updating data as warranted. The

presentation of a long-range financial forecast by the town administrator and the financial team should serve as the starting point for the ensuing fiscal year's budget development process. This will provide context for analyzing requests relative to long-term, town-wide goals and incorporating capital planning.

- Linear progression – Outline the procedural flow from initial budget consolidation by the town administrator, to the board of selectmen's review and approval, to the warrant committee's review and final recommendations. Provide for budget hearings with department heads and for a public hearing hosted by the warrant committee.
- Town meeting presentation – Assign responsibility for presenting the operating and capital budgets. Minimally, both the board of selectmen and the warrant committee should provide their opinion of the budget being presented to town meeting.
- Ongoing review – Require quarterly review of revenue and expenditure reports by the board of selectmen and warrant committee to monitor the budget during the year. This provides the opportunity to make plans for any necessary corrective actions and to consider advance forecasting into the next year.

Throughout the budget's development, it is crucial that officials maintain a strong commitment to the process, to a high level of communication, and to reaching consensus. There should be an ongoing exchange of information among officials, particularly as they get deeper into the process so that a unified budget position is presented at town meeting. To this end, we encourage local leaders to meet early in the budget year with the Dover-Sherborn Regional School Committee and the region's select and finance boards. A lack of communication and coordination between member communities can result in unforeseen and costly budget impacts and related discord. The simple act of scheduling regular meetings early on helps all communities to identify and address issues before they become problematic.

D.2. Revise the Current Capital Budget Committee Bylaw

Along with codifying the budget process, we recommend Dover revise the current capital budget committee bylaw by reassigning responsibilities and clearly defining the capital budget program. Parallel with the annual budget, we suggest that the town administrator be charged with developing the capital budget and improvement plan. This involves soliciting capital project requests from department heads, and prioritizing projects using established criteria, analyzing funding, and formulating a long-term financial plan achievable within the town's budget. The capital budget committee would

continue to serve to review and evaluate the town administrator's plan within the policy and budgetary guidelines and make a town meeting recommendation.

Along with spelling out the town administrator's capital planning oversight role, we recommend that a revised bylaw include the following:

- Clear definition of capital project based on the years of useful life and dollar cost
- Criteria for prioritizing capital project requests
- Maintenance of a capital asset inventory
- Development of multiyear capital plans
- Presentation to town meeting of a comprehensive capital budget warrant article and annual report of the Town's capital needs

D.3. Publish a Comprehensive Budget Document

We recommend Dover publish a comprehensive budget document that is detailed, transparent, and user-friendly. This document would expand on the current "Blue Book" by providing more in-depth information to guide and influence the community regarding the resource allocation deliberations and decisions of the annual operating and capital budgets.

To be most effective, a budget document should serve four purposes, by functioning as:

1. A policy document identifying the town's financial goals, objectives, and guiding policies
2. A financial plan presenting the town's previous and current financial condition, forecast assumptions, and expected results
3. An operational overview describing municipal services and assessing their efficiencies and effectiveness
4. A communication tool articulating the town's challenges, priorities, goals, and objectives

The town administrator should be tasked with the responsibility for producing this document that at a minimum should contain a budget message stating priorities and issues for the upcoming year, illustrate the budget's short- and long-term strategic goals, incorporate narrative information on departmental and organizational goals, provide details about the plans and resources needed to meet them, and include graphical information about available financial resources. Budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget, along with a summary of debt obligations, should also be included. Also recommended is including the policies upon which the finance decisions are based. A list of standards laid out by the Government Finance

Officers Association (GFOA) in its Distinguished Budget Presentation Award program is included in the appendix.

D.4. Develop a Five-Year Financial Forecast

We recommend that under the direction of the town administrator, the town accountant develop a multiyear forecast to facilitate long-term thinking and guide a prospective budget process. A forecast will enable Dover to avert potential deficits, promote long-term financial health, and strategize for capital investment and community development by allowing for various budget scenarios. It also allows for the evaluation of the impact of budget choices, including wage increases offered via collective bargaining and the addition to/subtraction from existing town and school services. The utility and necessity of a well-developed forecast has the potential to provide surety and stability even more so in times of economic uncertainty.

As a living document, a forecast includes reasonable assumptions that must be continually evaluated and updated to reflect changing circumstances and events. By doing so, the forecast provides a fair representation of the community's fiscal future to help guide the budget and strategic planning process. The finance team currently projects revenue by source and expenditures for the current budget year. These projections can serve as the basis for a multiyear forecast or the team could utilize the DLS [financial forecasting template](#) (Excel) and instructions available on our website in the [Municipal Finance Training and Resource Center](#).

D.5. Avoid Using Free Cash for Current Year Operations

We recommend that the town suspend its use of free cash to fund the operating budget. Free cash, as the town's principal reserve source, should be generated and maintained to fund unanticipated costs, to fund one-time expenditures prudently. While Dover officials have successfully generated free cash year-over-year by not appropriating more than 50% of the certified amount and maintaining what are locally regarded as prudent budget practices, the community has a longstanding tradition of appropriating free cash to "reduce the tax levy" or stabilize the tax rate at the annual town meeting. While this practice may appeal to the taxpayers on the surface, Dover is dependent on free cash to fund its operating budget and is masking a recurring structural deficit.

Instead, town officials should make a point of developing excess levy capacity, or more simply not levying to the maximum limit. This will require budget policy and discipline to limit the budget growth but practicing this over the course of several years will in effect lower the tax rate. Further, Dover funds annual snow and ice deficits in the following year's recap, in effect routinely raising additional taxes to fund a prior year expense. While this is a legal option to fund the deficit, using free cash to

fund this weather-dependent deficit would have a positive effect on the tax rate. Taxes were increased in seven of the last 10 years to provide for the deficit.

Dover's leadership has taken steps that demonstrate their understanding that a policy should guide the use of free cash. Our hope is that this policy includes language that prohibits its use to supplement current year operations. Even as a budget revenue source, there should be policy restricting or directing the amount of free cash, if any, that can be devoted to operations, what percentage will be diverted to capital outlays, what percentage will be appropriated to reserves and what percentage will remain unused.

D.6. Establish a Recurring Funding Source for Capital Improvements

We recommend that the town establish a recurring funding source for capital improvements. An effective capital improvement plan should receive consistent, year-to-year funding, and be guided by policies for the use of debt, direct dollar outlays, and capital exclusions as funding mechanisms. Among the options the town should consider are by:

- Maintaining a consistent level of debt service within the levy as measured by debt service as a percentage of revenue.
- Reserving the difference between the level of within levy debt service required by policy and the actual debt service.
- Identifying a percentage of free cash for use in direct capital outlays or capital stabilization appropriation.
- Exploring overlay surplus as a potential capital funding source.
- Establishing guidelines to determine when a capital improvement qualifies for funding through a capital exclusion.
- Defining capital needs as functions of the annual asset depreciations calculated under the requirements of GASB 34.

D.7. Create a Special Purpose Stabilization Fund or Funds

Separate from the town's general stabilization fund and concurrent with the previous recommendation, we suggest establishing a special purpose stabilization fund for capital projects under [M.G.L. c. 40, § 5B](#). Consistent with the town's goal for long-term financial planning, special purpose stabilization funds allow a community to set aside money for specific purposes. Policymakers will find that pursuing and enacting such a fund will:

- Encourage a community to think long-term - Programs to replace vehicles, maintain buildings and improve roads require evaluations of each asset, formulation of a replacement or repair schedule, and calculation of projected costs over time.

- Help the community save money and manage debt - As an example, if a \$600,000 fire truck purchase requires a 15-year borrowing, interest payments could add \$100,000 to \$150,000 to the total cost. A fund allows the town to predict and account for items of significant cost and ascertain the best approach to pay for them. Paying outright for a capital expenditure avoids borrowing and helps control overall debt levels, a practice viewed positively by credit rating agencies.

- Build resident confidence in government - Special purpose stabilization funds directly address resident concerns and provide assurance that money intended for a particular purpose will be used for that purpose and will not be diverted.

D.8. Financial Reporting

Dover's department heads and policymakers would benefit from expanded financial reporting from the accountant's office. Therefore, we recommend that the town administrator and accountant meet to discuss what reports should be generated, to whom they should be sent, and by what method. At minimum, these standards would encompass monthly reports of expenses and periodic reports of revenues.

Required by statute, monthly expenditure reports are used to apprise department heads and policymakers of running expenditure totals by department in relation to the total amounts appropriated for each. On the revenue side, periodic reports comparing actual receipts to budgeted estimates, though not legally required, provide important insight into fiscal year trends. These reports are essential for analyzing shortfalls, excesses and one-time receipts, and assessing the need for midcourse budget adjustments. Revenue data is valuable for making forecast estimates during the budget process. These reports are integral to analyzing, prioritizing and managing spending, particularly as the fiscal year comes to a close and end-of-year turn backs emerge.

- Monthly reports - Ideally, all departments, committees, and boards with spending authority should have access to their VADAR accounts. The town accountant should send monthly emails telling them to review their expenditure reports online and return confirmation of their review and any discrepancies within a set period (DLS recommends a timeframe of two weeks). For any department without access, the town accountant

should send the same notice and include a Portable Document Format (PDF) version of its report.

- Quarterly revenue reports - While not statutorily required, DLS recommends generating reports minimally on a quarterly basis comparing actual revenue collections to budgeted revenues for departments and policymakers as they provide useful management information. Such reports can offer meaningful insight into fiscal year trends, give early warning of revenue shortfalls, and prove valuable for revenue estimates during the budget process.

D.9. Procure Auditing Services

Based on a review of our records, Dover has engaged the audit firm Melanson Heath to annually examine the town's financial statements and compliance with accounting standards for the last 20 fiscal years. Independent audits are critical to sound financial management by providing a measure of assurance that town assets are safe and handled responsibly. Periodically, putting this service out for competitive bidding is a sound procedural control to mitigate the risk of complacency that can develop with such a long engagement. It is good practice for municipalities to seek a fresh look at the town's bookkeeping and financial procedures by qualified outside experts.

We therefore echo the advice of the Government Finance Officers Association (GFOA) and Massachusetts Office of Inspector General² that communities change their external auditors every five to eight years. The GFOA also recommends entering into multiyear agreements with audit firms (or a series of one-year contracts) for terms of at least five years. A multiyear agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, thereby potentially reducing first year costs. Thereafter, at the direction of the board of selectmen, the town administrator should engage in a full competitive selection process and rotation of auditors after each multiyear agreement to provide fresh perspective and foster long-term independence.

We further recommend that as part of the required scope of services the auditor issue a written management letter and present the audit at an exit conference with the board of selectmen and members of the public. The management letter is the independent auditor's written communication to town officials, separate from the audit report. It identifies areas of deficiency, if any, and presents recommendations for improvements in accounting procedures, internal controls and other matters. To be most effective, the town should require the audit firm's managers to appear before the board

² For guidance, see the Inspector General publication [A Local Official's Guide to Procuring and Administering Audit Services](#)

of selectmen to answer questions regarding their findings. This approach presents an opportune forum to assess the town's financial position and hold financial team members accountable for their performance.

D.10. Reaccept OPEB

In May 2009, Dover town meeting accepted [M.G.L. c. 32B, § 20](#) to create a trust fund for other postemployment benefits (OPEB) and transferred almost \$2 million as the initial deposit. The town has methodically added to the fund each year, and with investment income, as of June 30, 2019, the fund was valued at close to \$5.5 million.

Effective as of fiscal 2018, the Governmental Accounting Standards Board (GASB) issued Statement 75, which requires that an OPEB trust fund comply with the following criteria: 1) the fund's contributions and earnings are irrevocably committed to OPEB use; 2) the OPEB plan's assets are dedicated exclusively to providing benefits to plan members; and 3) the OPEB plan's assets are legally protected against creditors. In light of Statement 75, the Massachusetts legislature modified M.G.L. c. 32B, § 20 to meet the new guidelines. Consequently, we advise the board of selectmen to present town meeting voters with articles that propose the following:

1. Reaccept M.G.L. c. 32B, § 20 to establish a GASB-compliant OPEB trust fund.
2. Authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#) to make available the options required to meet the investment goals of the OPEB trust.
3. Designate the treasurer as fund trustee.

APPENDIX

ADOPTING A CHARTER

	Charter Commission	Special Act Charter
Initiating the Process	<p>15% of voters petition BOS to place question of creating charter commission on the ballot;</p> <p>The BOS has 30 days to place question on ballot at next regular election.</p> <p>The election must be at least 60 days after election order.</p>	<p>Create a government study committee either through BOS action or town meeting action.</p>
Determining members	<p>Question on electing a charter commission with simultaneous votes cast for nine charter commission members.</p> <p>If question on electing commission is approved, the nine candidates with most votes are elected (each voter may vote for nine candidates).</p>	<p>Appointed by the BOS or moderator, no set number of members;</p> <p>Members should be objective and open minded about process, residents should be confident that broad range of views represented;</p> <p>Members should be committed and reliable; 5-7 members might be sufficient for smaller town.</p>
Drafting the charter	<p>Within 16 months of its election, the commission shall prepare preliminary report including the text of the charter.</p> <p>Report to be published in local newspaper; two copies to Attorney General for review for conflicts with state constitution or law.</p> <p>At least one public hearing within four weeks of submission of report.</p>	<p>A government study committee has no set timeframe; can work quickly or deliberately.</p> <p>Though not required, committee should hold hearings on proposed charter.</p>
Final Report	<p>Final report of the commission submitted within 18 months.</p> <p>BOS shall place the proposed charter before the voters at first regular election at least 2 months after submission of final report.</p>	<p>Report and draft charter should be completed well in advance of town meeting to allow inclusion on warrant;</p> <p>Town meeting must approve and authorize submission of special act to legislature.</p>
Approval of Charter	<p>If majority of voters approve the charter, it becomes effective on date specified in charter; if no date then effective upon passage.</p>	<p>Must be approved by two-thirds vote of legislature; historically, the legislature has required local voter approval as well.</p>

SAMPLE CASHBOOK

Cashbook – All Non-Trust Accounts

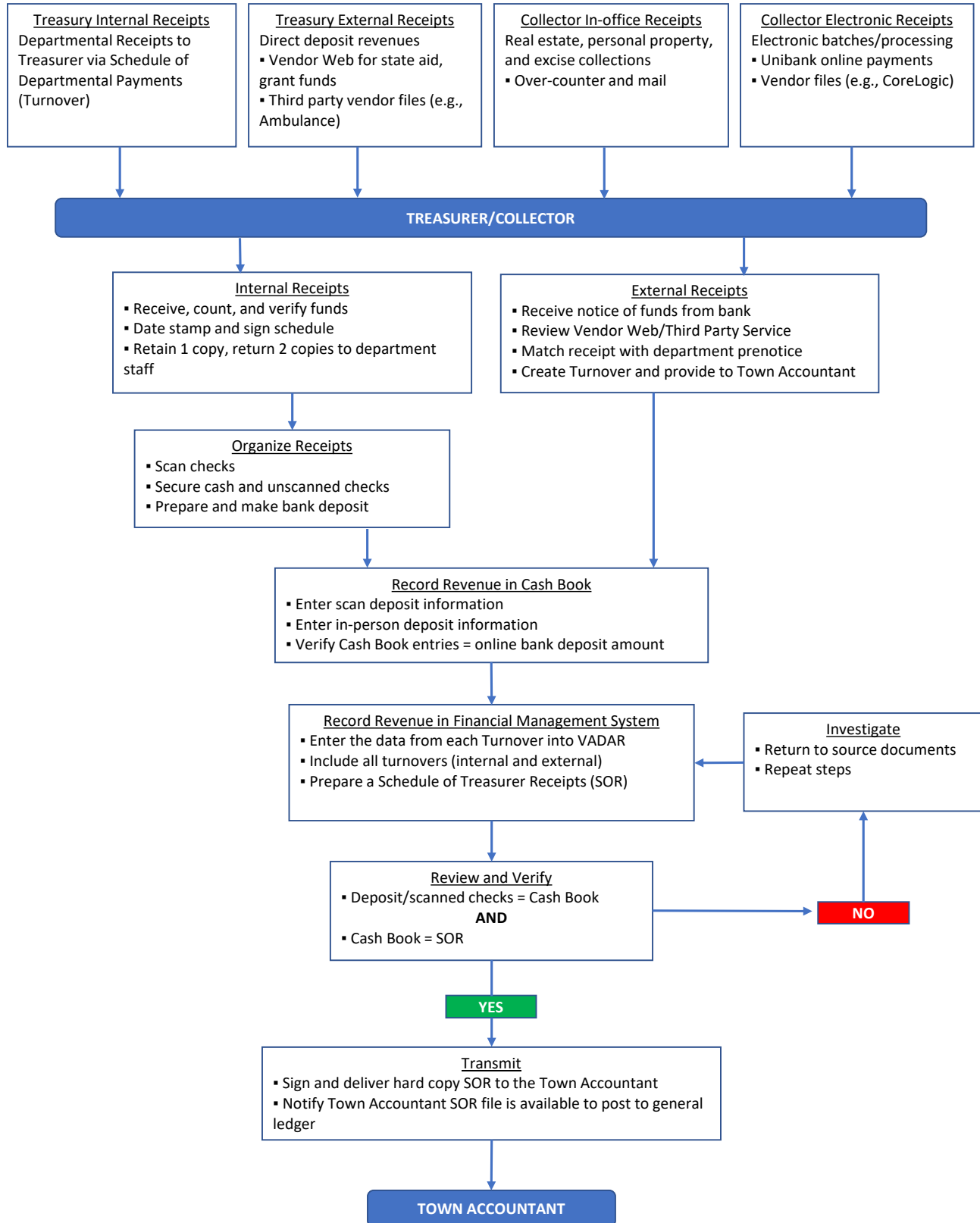
Activity Summary						Beginning Balance (linked from prior month) →		278,318.14	850,000.00
Total Deposits:				270,417.45	Total Debits		→ 249,767.45	95,650.00	
Total Warrants				(183,203.83)	Total Credits		→ (107,421.68)	(125,782.15)	
					Ending Balance		→ 420,663.91	819,867.85	
					Bank Account Balance (enter from stmt)		420,663.91	819,867.85	
					Difference		0.00	0.00	

ACTIVITY DETAIL								BANK DETAIL	
Date	Source/Action	Turnover # or Batch #	Receipt/ Turnover Amount	Deposit Total	Deposit Date	Disbursements (Warrants)	Transfers	General Depository Account #	Money Mkt Account #
07/01/2020	Fire Dept	FD#1	120.00						
07/01/2020	Building Dept	COL#1	6,400.00						
07/01/2020	COA	SA#12	254.50						
07/02/2020	Library	COL#2	150.00	6,924.50	07/02/2020			6,924.50	
07/02/2020	Collector	COL#1	75,421.35	75,421.35	07/02/2020			75,421.35	
07/02/2020	Wire	SA#12	45,650.00	45,650.00	07/01/2020				45,650.00
07/02/2020	Collector	COL#2	142,421.60	142,421.60	07/02/2020			142,421.60	
07/03/2020	transfer to payroll						MM to payroll		(125,782.15)
07/03/2020	payroll 19-24					(125,782.15)			
07/03/2020	investment xfr						GD to MM	(50,000.00)	50,000.00
07/05/2020	investment xfr						Acct 6 to GD	25,000.00	
07/06/2020	transfer to vendor						GD to AP checking	(57,421.68)	
07/06/2020	AP 19-25					(57,421.68)			

Trust Accounts

Account	Institution	Account Number	Beginning Balance	Additions	Earnings	Expended	Ending Balance	Bank Balance	Variance	G/L Balance	Action Required
Investment/Trust Funds											
Stabilization			564,558.43	100,000.00	11,291.17		675,849.60	675,849.60	-	464,558.43	Verify GL Balance
SPED Stabilization			100,027.67		2,000.55		102,028.22	102,028.22	-	100,027.67	Verify GL Balance
Conservation			14,729.96		294.60		15,024.56	15,024.56	-	14,729.96	Verify GL Balance
General Funds			48,916.61		978.33		49,894.94	49,894.94	-	48,916.61	Verify GL Balance
Land Acquisition			42,674.20		853.48		43,527.68	43,527.68	-	42,674.20	Verify GL Balance
Cemetery			318,748.25		6,374.97		325,123.22	325,123.22	-	318,748.25	Verify GL Balance
Total Investment			1,089,655.12	100,000.00	21,793.10	-	1,211,448.22	1,211,448.22	-	989,655.12	Verify GL Balance
Century CD			105,898.62		794.24	50,000.00	156,692.86	105,898.62	(50,794.24)	95,898.62	Verify GL Balance
Total Investment/Trust			1,195,553.74	100,000.00	22,587.34	50,000.00	1,368,141.08	1,317,346.84	(50,794.24)	1,085,553.74	
Post Retirement Fund (OPEB)											
PRIT			780,418.57		31,216.74		811,635.31	811,635.31	-	1,163,108.54	Verify GL Balance
General			382,689.97		5,740.35		388,430.32	388,430.32	-	0.00	Verify GL Balance
Total OPEB			1,163,108.54	-	36,957.09	-	1,200,065.63	1,200,065.63	-	1,163,108.54	
Total Trusts			2,358,662.28	100,000.00	59,544.43	50,000.00	2,568,206.71	2,517,412.47	(50,794.24)	2,248,662.28	

REVENUE TURNOVER WORKFLOW



BUDGET DOCUMENT FRAMEWORK

GFOA Essential Criteria:

1. Table of contents
2. Budget message stating priorities and issues for the upcoming year
3. Budget overview expanding on the budget message
4. Town-wide organization chart
5. Adopted financial planning policies
6. Description of the process for developing the town's initial budget proposal
7. Summary of major revenues, expenditures, and other financing sources and uses to provide an overview of the town's total budgeted resources
8. Summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year
9. Projected changes in fund balances for appropriated governmental funds included in the budget presentation
10. Description of major revenue sources explaining the underlying assumptions for the revenue estimates and discussing significant revenue trends
11. Budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget
12. Financial data on current debt obligations, describing the relationship between current debt levels and legal debt limits and explaining the effects of existing debt levels on current operations
13. Summary table of personnel or position counts for prior, current and budgeted years
14. Description of activities, services or functions carried out by individual departments

Supplemental Information:

- Statement of town-wide strategic goals and strategies that address long-term concerns and issues
- Description of short-term factors influencing the decisions made in the developing the forthcoming year's budget.
- Description of all funds that are subject to appropriation
- Narrative and graphics showing the relationship between departments and funds
- Explanation of the basis of budgeting for all funds
- Long-range financial forecast

- Description of the extent to which significant nonrecurring capital expenditures will impact the town's current and future operating budget
- Department goals and objectives
- Performance measures evaluating departmental goals and objectives
- Community profiles providing statistical and supplemental information describing the town and community
- Glossary of all terminology, abbreviations, and acronyms not readily understandable
- Charts and graphs highlighting financial and statistical information

For more information, see the [Government Financial Officers Association](#) and the [Distinguished Budget Presentation Award](#) program.

SAMPLE LEGISLATION

Sample Special Legislation for Proposed Consolidated Finance Department

AN ACT CREATING A DEPARTMENT OF MUNICIPAL FINANCE IN THE TOWN OF DOVER.

SECTION 1. Creation of Department of Municipal Finance. Notwithstanding the provisions of any general or special law to the contrary, there shall be in the Town of Dover a department of municipal finance responsible for the coordination of all financial functions and activities of the town, including but not limited to: maintenance of all accounting records and other financial statements; payment of all obligations on behalf of the town; investment of town funds and management of debt; receipt of all funds due; maintenance of a system of property valuation; rendering of advice, guidance, and recommendations to town departments, offices, and boards in matters related to their financial or fiscal affairs; and routine monitoring and reporting of revenues and expenditures by town departments, offices, and boards. The department shall include the offices and functions of the town accountant, treasurer/collector, board of assessors, and town assessor. The department shall have such additional powers, duties, and responsibilities with respect to municipal finance-related functions and activities as the town may from time to time provide by bylaw.

SECTION 2. Finance Director. The department of municipal finance shall be under the direct control and supervision of the finance director who shall report to the town administrator. The finance director shall be appointed by the town administrator; provided, however, that said appointment shall be subject to the bylaws of said Town of Dover, as they may be amended from time-to-time. The director may be removed by the town administrator at any time for cause upon fifteen (15) day notice. The director shall be a person especially fitted by education, experience, and training to perform the duties of the office. The salary, fringe benefits, and other considerations of employment of the director may be established by contract, subject to appropriation, for a period of up to five years, including but not limited to, severance pay, relocation expenses, reimbursement for expenses incurred in the performance of the duties of office, liability insurance, condition of discipline, termination, dismissal, and reappointment, performances standards, and leave.

SECTION 3. Finance Director Duties and Responsibilities. The director may serve as the town accountant or treasurer/collector but not both and shall be responsible for coordinating the fiscal management procedures of the office of the town accountant, treasurer/collector, and town assessor. The director shall assist the town administrator in the preparation of the annual operating budget and capital plan, shall be an advisor to the board of selectmen, town administrator, warrant committee, and all other town departments, concerning financial and programmatic implications of current and future financial policies, including stands for the preparation of the annual budget and capital plan. The director shall, in consultation with the town administrator, be responsible for the supervision and coordination of all personnel, tasks, and activities of the department. The director shall provide the town administrator and board of selectmen with reports no less than quarterly and more often as requested concerning the

matters under their supervision. The director shall have such additional duties and responsibilities as may be determined from time-to-time by the town administrator, and as may be determined bylaw.

SECTION 4. Town Assessor. Notwithstanding the provisions of any general or special law to the contrary, there shall be in the Town of Dover the position of town assessor who shall report to the finance director. The town assessor shall be appointed by the finance director in consultation with the town administrator and board of assessors; provided, however, that said appointment shall be subject to the bylaws of said Town of Dover, as they may be amended from time-to-time. The town assessor shall be a person especially fitted by education, experience, and training to perform the duties of the office. The town assessor shall be responsible for all the assessing functions for the Town of Dover. An elected, three-member Board of Assessors shall be part of the Department of Municipal Finance, and shall continue to make decisions on matters of statutory independence, which they are required to make under Massachusetts General Laws.

SECTION 5. Town Accountant and Treasurer/Collector. Notwithstanding the provisions of any general or special law to the contrary, there shall be in the Town of Dover the positions of town accountant and treasurer/collector who shall each have all the powers, duties, and responsibilities of and be subject to the liabilities and penalties conferred and imposed by law on the offices of town accountant and treasurer and collector under the General Laws, except as provided herein. The director in consultation with the town administrator shall appoint the town accountant and treasurer/collector, if such positions are separate from the position of finance director; provided, however, that said appointment shall be subject to the bylaws of said Town of Dover, as they may be amended from time-to-time. The town accountant and treasurer/collector shall be persons especially fitted by education, experience, and training to perform the duties of those offices.

ACKNOWLEDGMENTS

In preparing this review, DLS spoke with the following persons:

Robyn Hunter, Chair, Board of Selectmen
Christopher Dwelley, Town Administrator
Katelyn O'Brien Assistant Town Administrator
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Gavin Fiske, Assistant Treasurer/Collector
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Mary Carrigan, Personnel Board
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