TOWN OF DUXBURY

TREASURER/COLLECTOR'S OFFICE REVIEW

AUGUST 2022

DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

August 25, 2022

Selectboard
878 Tremont Street
Duxbury, MA 02332
c/o Town Manager

Dear Mr. Read:

I am pleased to present the enclosed Treasurer/Collector's Office Review for the Town of Duxbury. It is my hope that our guidance provides direction and serves as a resource for local officials as we work together to build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Financial Management Resource Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,



Sean R. Cronin
Senior Deputy Commissioner

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OVERVIEW

The Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) completed this review of the Town of Duxbury's Treasurer/Collector's Office at the request of the selectboard. Having previously conducted a government study advisory for the community, FMRB was asked to conduct a more in-depth organizational and operational evaluation of the town's treasury and collections operations following a temporary break in service of the treasurer/collector. While the department head returned to lead the department, officials wanted to make sure that the office is structured, staffed, and trained to function efficiently and effectively.

For this review, we interviewed the town manager, finance director, treasurer/collector, assistant treasurer, assistant collector, treasurer bookkeeper, town accountant, assessing director, and human resources director. We also reviewed roles and responsibilities and examined town and state legal and financial documents.

TREASURER/COLLECTOR'S OFFICE

By special act, Duxbury operates under a select board-town manager form of government. The manager is the town's chief administrative and financial officer and appoints a finance director, who coordinates activities with the assessing department and oversees the town accountant's and treasurer/collector's offices. The finance officers perform their respective responsibilities, communicate issues as they arise, and work well together.

The treasurer/collector's office is staffed by the department head, an assistant treasurer, an assistant collector, two principal bookkeepers, and a seasonal helper who works for the community generally during the spring until the close of the fiscal year. The treasurer/collector has been employed by the town since 2011, serving previously as the assistant collector and the assistant treasurer. She was promoted to the position of treasurer/collector in 2016 and is a certified treasurer by the Massachusetts Collectors & Treasurers Association and is nearing the completion of the collector certification.

The office uses a variety of software and online applications. In the staff's daily activities, they use SoftRight Online (SRO), SoftRight Municipal Management System (MMS), Excel, UNIPay, CityHall Systems, Active Network, Stripe, and PayPal.

As treasurer, the treasurer/collector manages cash, all town investments (including its self-insured health trust and other post-employment benefits trust funds), and issues debt. The staff accepts departments' turnovers, scans checks in the office for immediate deposit, deposits cash, and makes postings to the cash book. After reconciling the daily activity, they enter receipt batch reports into SoftRight from where the revenue information is then transmitted to the accountant for posting to the general ledger. The office reviews and funds accounts payable and payroll warrants and disburses payments after proper authorization. The treasury staff reconciles cash balances with the accountant's general ledger within 15 days after the close of the month and meet if there are any issues.

The collector's office processes real and personal property taxes, community preservation surcharges, betterment assessments, excises, water/sewer utility charges, and municipal lien certificate requests upon request due to a property sale or refinancing. The town uses the services of a deputy collector to print and mail motor vehicle excise bills and a direct mailing contractor for all other bills. Tax bills are due quarterly though they are printed and mailed twice a year with two payment coupons, water/sewer charges are sent semiannually, and motor vehicle and boat excise are issued annually. In addition, the office is the point of sale for all beach and transfer stickers, mooring permits, and horse-riding permits, all available in person at the office and online.

The town receives payments by lockbox, mail, over the counter, from escrow services, and online through its website. Once a property tax or excise bill becomes past due, the office issues demand bills and uses legal means to pursue delinquent accounts. The treasurer/collector completes new tax title takings on real property in the fiscal year after they become past due, moves the subsequent taxes (taxes due on properties already in tax title) before June 30 each year, and uses an outside attorney to pursue foreclosure remedies. At the end of each fiscal year, any outstanding water and sewer charges are added to the subsequent real estate bills as a lien. The collecting staff reconcile all outstanding receivables with the town accountant's office monthly.

The town also uses its deputy collector to process past due motor vehicle excise bills. The town issues warrant bills and provides the deputy collector with the information to complete online license and registration markings for non-renewal status with the Registry of Motor Vehicles. The deputy collector collects and deposits funds to a dual signature bank account in the town's name, to which the treasurer/collector has electronic access. The deputy collector prepares a turnover report of the collections along with two checks from the deputy collector bank account: one check for the deputy's service fees and one for the net revenues to the town, which are co-signed and stamped for deposit. The net revenues are applied to the outstanding receivables and the service fees are recorded and

placed on the warrant to be paid back to the deputy collector. The treasurer/collector is responsible for reconciling the deputy collector bank account monthly.

Over the last few years, the office has experienced considerable staff turnover. Within six months of the treasurer/collector returning to her job, both the assistant treasurer and the assistant collector left the town's employment. The office's treasury principal bookkeeper and collections principal bookkeeper, with seven and five years of experience in the office respectively, were promoted to assistants. While their previous positions were eventually filled, it took several months and two advertisements, which required both to continue performing their former responsibilities and leaving limited time to learn their new duties.

During this transition, the treasurer/collector took control of the cash book to review it before working with new assistant treasurer on maintaining it. The cash book is the source of original entry for recording all receipts, deposits, transfers, and disbursements necessary for tracking the total cash position of the town. To have an effective system of internal controls, the treasurer is required to maintain a current cash book, routinely reconcile each bank account to it, and document any reconciling items.

While the cash book reportedly was reconciled with the general ledger, the treasurer/collector found some very concerning issues during her review. She discovered that the former assistant treasurer reconciled the cash book with SoftRight trial balance reports instead of the bank statements. In doing so, direct electronic deposits in the bank that had not been reported on turnover reports were not reflected in the cash book or the general ledger. As a result, all the accounts appeared to be reconciled, but in fact were not. Consequently, starting with the vendor and payroll accounts and then moving onto the depository and trusts, the treasurer/collector methodically went through the FY2021 and initial FY2022 bank statements, matching the activity to the cash book. She discovered errors in funding warrants, duplicate payments, and, in a few instances, withholding and deduction summary reports that did not agree with the detailed checks issued. The treasurer/collector has documented the discrepancies, made corrections, and continues to monitor the balance of the variance.

Based on the findings and required adjustments, the treasurer/collector is working with her new assistant treasurer on properly reconciling the bank accounts to the cash book having the new principal bookkeeper pursue missing turnover reports from departments. The assistant treasurer asks questions when issues arise and works with the treasurer/collector to resolve or document outstanding matters. All variances are investigated and cleared or monitored if not immediately resolved. To avoid this going forward, the treasurer/collector's office has a folder of all bank

statements, which is available to the accountant's office for review as needed, and the two offices meet to discuss issues and sign off on the monthly results.

The treasurer/collector's office continues working on and is committed to resolving past issues and towards streamlining operations. Our report recommendations focus on assisting in these efforts as well as employing financial best practices. The primary recommendations relate to training, maintenance of the cash book, departmental receipt turnovers, and receivables balances cleared in the treasurer/collector's office. Supplemental recommendations are intended to address other financial related matters Duxbury should resolve.

RECOMMENDATIONS

Ensure Cash Book is Monitored and Current

As a critical component of financial management, we recommend that the treasurer/collector make sure the cash book is monitored and kept current for all cash. As a best practice, the assistant treasurer should log into bank accounts regularly to make certain that every deposit, disbursement, transfer, bounced payment, voided check, and interest accrual is recorded in the cash book, ideally within two business days of each transaction. Any unidentified entries or discrepancies should be identified and/or corrected as appropriate.

Shortly after the end of each month, the treasurer/collector's office should complete full-month bank reconciliations between cash book account balances and bank statements. This includes monitoring outstanding checks and balances in zero-balance vendor and payroll bank accounts. The treasurer/collector should oversee and sign-off on the reconciliation process to confirm that the activity is completed correctly and timely.

It is the treasurer/collector's responsibility to produce an accurate cash book that reflects the total bank activity, whereas the town accountant must reconcile the general ledger to the cash book balances. Having completed an internal reconciliation, the treasurer/collector's office should provide a cash book summary for all funds to the town accountant for the general ledger reconciliation. If the accountant finds a discrepancy between the general ledger and the cash book balances, the two officials should meet to review all revenues reported and warrants paid, enabling the offices to identify and resolve the variances. With this process, the treasurer/collector would no longer need to provide bank statement copies for the accountant. Verification of completed reconciliations and documented variances should be given to the finance director and town manager.

Require Departmental Turnovers At Least Weekly

We recommend that town departments turn over receipts to the treasurer/collector at least once every week. It is our understanding that many departments that handle money do not turn over their receipts to the treasurer/collector on a regular scheduled basis – some turn over as infrequently as monthly. In fact, reviewing the treasurer/collector's cash book and turnovers from departments, we noted a few departments provided reports that included physical checks and/or electronic payments dating back as much as five months. This presents two troubling issues. A check held for an extended period of time before being turned over may not be honored by the bank if it is more than six months old, forcing the community to pursue the payee for replacement payment and incur a bounced check

fee. Equally alarming is when a department fails to prepare a turnover report for electronic checks and credit card payments made directly to the town's bank accounts. The cash book is missing required documentation and cannot be reconciled internally to bank statements and consequently cannot be reconciled with the town accountant's general ledger.

To codify the process, we encourage the town to adopt a revenue turnover policy that departments are required to follow. The policy guidelines would specify to departments how all revenues are to be properly handled and accurately recorded internally, turned over timely to the treasurer/collector, and reported independently to the town accountant. It should require departments to turn over their receipts at least weekly, more frequently if certain cash thresholds are exceeded, and always at month-end. Requiring departments to comply with the revenue turnover policy will assist in safeguarding the town's assets, maximize cash flow, enable the treasurer/collector to properly maintain the cash book, and ensure the accountant's general ledger is up to date.

Pursue Remote Entry of Departmental Receipts

To streamline the turnover and entry of departmental revenues, we recommend that the town pursue the SoftRight remote entry system. The town is currently working on rolling out the direct entry of accounts payables and, once the process is complete, officials should consider remote entry of departmental receipts. Each department would have access only to their applicable accounts in SoftRight where they would record moneys received using designated revenue codes and print the turnover sheet. The cash, checks, notice of electronic deposits, and turnover sheet would then be presented to the treasurer/collector's office. The staff would verify the total amount, sign a copy of the turnover sheet for the department to provide to the accountant, then use the turnover sheet to verify that entries posted. Streamlining this function will free up staff time and further improve the timeliness and accuracy of the cash book.

Until such time when all departments generate turnover sheets via the online payment systems, the treasurer/collector, in cooperation with the accountant, should standardize departmental receipt turnover reports in Excel. In reviewing the manual turnover reports, they vary in look and content. For each department, the form would be customized with a department's name, contain a brief description and list of the operating fund and revenue account codes specific to the department, plus spaces for the department head signature as well as the breakdown of cash, physical checks, and electronic payments being reported. When completed in Excel, a formula can automatically total the entries and the cells protected to prevent changes.

Establish More than One Cash Drawer

We recommend that more than one cash drawer be established for the treasurer/collector's office. Often it is the case that more than one person is at the collector's window and the staff collectively use a single drawer to handle transactions. As a matter of best practice, assigning separate drawers by person serves as a control measure in the collection procedures, making it easier to account for collections by person/drawer and to better identify if discrepancies exist, monitor performance, and determine if training or other action is required.

Following up on our conversation on this matter during our interviews, the treasurer/collector did pursue acquiring one new cash drawer, even though the space at the window is limited. However, to date, she has not been able to have it connected to the SoftRight system. The town's technology department should work with the software vendor to get the second cash drawer operational, identifying the causes for the incompatibility and steps to resolve it.

Until the second drawer is fully installed, we recommend the treasurer/collector develop a schedule for the collector's window duty. On any given day, one person would be primarily assigned to the window and another as backup. At the end of each day or shift, the assigned staff counts the cash from the drawer, prepares the deposit slip matching the batch payment report, and turns it over to the treasurer/collector for review and deposit. The assistant collector then verifies the set starting cash drawer amount before placing in the safe for the night.

Review Receivable Balances to Clear Remaining Balances

We recommend that the treasurer/collector review the real estate, personal property, excise, and water/sewer outstanding receivable lists for both credit and outstanding balances, determine if they are accurate, and take all necessary actions to resolve them. While this process will be time consuming and may require additional budgetary resources, the office must review each account in order to clear them off the receivable ledger.

For outstanding amounts, the town currently initiates real estate tax takings, marks motor vehicle registrations and license renewals, revokes and denies license and permits on outstanding taxes and charges, and liens water/sewer charges on the property tax. In addition, the treasurer/collector could file civil suits for outstanding personal property taxes and consider using the town's deputy collector to pursue outstanding personal property and boat excise accounts. The deputy collector may be able to obtain money owed the town or provide evidence that the accounts are uncollectible. Once the treasurer/collector is reasonably sure that the accounts are uncollectible, she should work with the

assessing office, and Commissioner of Revenue as needed, to have them abated and cleared off the town's books. De minimis amounts, generally due to interest being satisfied first on late payments, can be adjusted through the interest account to cover the balance.

A receivable credit balance generally requires the most research and may be due to an overpayment, the result of abatement, or an erroneous posting. Care must be taken to ensure any refunds are directed to the correct (paying) party if the property has changed owners.

Prioritize Training and Professional Development Opportunities for Staff

We recommend that Duxbury encourage and provide funding for staff professional development opportunities. These would include having the new assistants attend the Massachusetts Collector & Treasurer Association annual school and other association sponsored regional meetings, along with scheduling time for staff to participate in remote or in-person meetings and trainings. While each member has primary duties, the staff should be cross trained on the department's different responsibilities. As an office, the treasurer/collector also should hold periodic staff meetings to discuss training issues and task the assistants to present on various topics.

OTHER RECOMMENDATIONS

Review Water/Sewer Billing File Before Committing to Treasurer/Collector

We recommend that the water/sewer department take greater care in reviewing each billing file generated from readings before committing them to the treasurer/collector. As a result of not thoroughly reviewing data, amounts have been billed to the wrong address, resulting in payments being applied incorrectly. Customers contact the treasurer/collector's office requiring them to review the accounts, make billing adjustments, and issue refunds for overpayment for any amounts paid in excess of the correct billing amount. This problem even went so far as to result in placing a lien for unpaid charges on some real estate bills when, in fact, the customers made timely payments only to have them applied to wrong accounts. While the treasurer/collector reviews billing information to be committed, it is the water/sewer department's responsibility to analyze the data and verify it is properly linked to the correct customer address.

Conduct Payroll Deductions Reconciliations

We recommend that the human resources (HR) department conduct monthly reconciliations of payroll deductions subject to vendor invoice. HR is responsible for employee onboarding, including completing federal and state tax forms, enrolling in retirement or deferred compensation plans[1], and signing up for other employee benefit programs. Having been assigned the administrative oversight of employee benefit programs, HR should be reviewing the invoices to verify the participants listed are currently employed with the town and should notify the vendor of any individuals to be removed from the bill and other corrections. To reduce the town's risk for liabilities in excess of deductions, HR also should conduct monthly reconciliations of those deductions in the Harpers payroll system and identify any discrepancies prior to remitting invoices to the accountant for payment. As necessary, HR should also notify the accountant of potential corrections to be made in the payroll system.

Expand Financial Operations Policies

Duxbury has formal financial management policies that set forth a broad framework for overall financial planning and administration of its resources and financial condition. In addition to the previously recommended revenue turnover policy, we encourage the select board to adopt

[1] An alternative to Social Security for all non-benefited part-time, seasonal, and temporary employees.

additional policies regarding financial operations. At minimum, the topics we recommend for Duxbury to explore include:

- Antifraud
- Disbursements
- Reconciliations
- Tailings
- Tax enforcement
- Year-End Closing

These policies will strengthen the town's internal controls, provide instructive guidance, and promote consistency for all town and school departments. For examples of suggested topics above, DLS has developed policy manual for other communities, which may be found on our website, mass.gov/consulting-reports.

Reaccept the Other Postemployment Benefits Fund

In March 2012, Duxbury created a trust fund for other postemployment benefits (OPEB) under M.G.L. c. 32B, § 20, which allowed the town to create a reserve to finance its OPEB liability. However, the statute at that time did not meet OPEB trust fund guidelines established by the Governmental Accounting Standards Board (GASB), and it was therefore modified by the Municipal Modernization Act. To establish a GASB-compliant OPEB trust, town meeting must reaccept § 20. To make available the options required to meet the investment goals of an OPEB trust, town meeting must also authorize the prudent investor rule as detailed in M.G.L. c. 203C. Information may be found in the Municipal Modernization Act FAQs located on the DLS website.

We also recommend that the town periodically analyze the option to invest its OPEB trust with the State Retiree Benefits Trust Fund (SRBTF). The SRBTF is invested through the Pension Reserves Investment Management Board (PRIM). PRIM delivers the same level of professionalized investment services for the SRBTF as the pension fund with over $100 billion in assets is one of the best performing state pension funds in the country.

Conduct a Financial Management Technology Needs Assessment

We recommend that the finance director conduct a technology needs assessment for the full finance department, reviewing the current systems and potential alternatives and developing a long-term plan for managing and integrating the town's financial operations. Over the course of this review, various town officials remarked on some concerns and challenges using the current financial management system and some of the auxiliary software required for online and credit card processing. An evaluation of other systems may be useful for the community when assessing the town's long-term plans.

Most importantly, the current financial management system resides on two different platforms, SoftRight Online (SRO) where the general ledger and treasurer's cash book are and SoftRight Municipal Management System (MMS) that has the collector's package. The two systems are required to work together, however that has not always been the case. SoftRight, previously based in Westford, MA, was acquired by the much larger California based Accela in 2015. Since then, officials report that applications have not been upgraded, are unaware of any future updates, and have experienced issues with support services response time. With ongoing research and development, technology is constantly advancing and improving to meet customer needs and streamline operations. An outdated application suite increasingly runs the risk of hardware or software incompatibility, inefficient operations, or potential system failure leading to significant problems.

As a matter of policy, DLS endorses most community efforts to advance and expand the role of technology in the operation of local government. At the same time, it is not the role of DLS in the preparation of this report, or otherwise, to recommend or endorse one software developer or its product over any other. We recommend that the finance director initiate a project to analyze the situation with input from departments and propose solutions, safeguarding critical financial operations and best positioning the community going forward.

ACKNOWLEDGEMENTS

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

René Read, Town Manager
John Adams, Finance Director
Jill Stewart, Treasurer/Collector
Lindsay Lewis, Assistant Treasurer
Mary Lowe, Assistant Collector
Liam Kanaley, Treasurer Bookkeeper
Carrie Mazerolle, Town Accountant
Stephen Dunn, Assessing Director
Jeannie Horne, Human Resources Director