



Town of Goshen

# Financial Management Review

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Division of Local Services / Technical Assistance Section

June 2010

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## Overview

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“The Town of Goshen is a rural community located in Western Massachusetts in the Berkshire foothills. Now over 200 years old, the town has been successful in maintaining its rural integrity despite being within commuting distance of several colleges and cultural areas and the development pressure that this implies. Goshen has been a vacation area for 100 years and enjoys the presence of scenic lakes that are the central attraction for a state forest and for private cottage areas.”

The Town of Goshen provided this narrative to the Massachusetts Department of Housing and Community Development for publication on its Community Profiles website. Its wording not only creates an image of the area, but suggests that residents have resisted outside influences and have acted over many years to protect the town’s rural quality. This perspective sets-up the initial consideration in this assignment. Should a town, the size of Goshen, and its employees be held to the same standards of performance as a town five, ten or twenty times its size, which would have greater resources. In terms of financial checks and balances, when the protection of public assets is at stake, we believe small towns must be held to high standards.

Goshen is 17.37 square miles of upland, has 0.35 square miles of water and can be described as substantially open or forested and undeveloped. It is one of the state’s smallest towns in terms of population (975 people), road miles (44) and population density (56 residents per square mile). The town is situated 100 miles west of Boston and 30 miles from the Cities of Pittsfield to the west and Greenfield to the northeast, but it is not isolated. Although bounded by other small towns, Goshen is only 12 miles to the northwest of the City of Northampton, which serves as an economic and cultural center for the region.

Local government is part-time as it always has been. Of about 50 town employees, only three in the highway department are full-time. The town hall is open only a few hours a week when the board of selectmen, board of assessors and other committees meet. On different days or evenings, the town clerk is present or finance offices are open. Otherwise, town finance officers work out of their homes, carrying public records and documents with them. The town is not directly responsible for the operations involved in the education of its children. Administrators, teachers and other school personnel are employees of the Chesterfield-Goshen Regional School District (Grades K-6), Hampshire Regional School District (Grades 7-12) or the Smith Vocational and Agricultural High School. The town appropriates an annual assessment or tuition to each.

In terms of spending, the FY2010 town budget was \$2.98 million and reflects per capita expenditures of \$3,061 (based on a population of 974). This is consistent with the average of \$2,987 for the 61 towns with a population of 2,500 or less and is only slightly below the average

of \$3,282 among all Massachusetts towns. For FY2011 the numbers increase as the Goshen town meeting approved a budget of \$3.24 million, or \$3,321 per capita.

Of total spending in FY2010, approximately 67 percent (\$1.87 million) is funded by property tax revenue and the Community Preservation (CPA) tax surcharge. Another 6 percent (\$188,000) and 20 percent (\$668,000) essentially come from residents in the form of local receipts and miscellaneous sources (i.e., free cash and fund balance transfers), respectively. The town received \$257,000 from state aid directly and benefited from significant amounts of education aid distributed to the regional school districts.

These are common characteristics in small Massachusetts towns, but they do not relieve elected and appointed officials, town meeting, finance personnel and other town departments from a responsibility to prudently allocate, account for, and manage community resources. In Goshen, general oversight of town government falls to the board of selectmen, but the part time involvement of the board and of those they oversee presents hurdles to effective communication and efficient management. Over time, this has allowed a certain informality to set in.

For instance, there are few job descriptions and minimal conversation about what is required of employees. There are no expectations in terms of hours to be spent on town business for employees who receive stipends for their work. There are no consistent rules on when stipends will be paid. Payroll vouchers include allowances for mileage, which is an expense item. The reconciliation of receivables lapsed for nine months. In at least one instance, departmental receipts are mailed to the treasurer rather than hand-delivered. Special revenue accounts, not authorized by state law, have been created. Technology is under-utilized and there is over-reliance on paper for original work and to duplicate computer records. Town documents routinely leave town hall as finance official's work at home, and in offices prior year town records lie about in boxes. Of great concern, town bylaws are maintained in a format of little value in defining the rules of government or residents' relationship with their government.

This is not to say that the work of town government is not getting done. Those with finance-related responsibilities understand the core legal requirements of their job. Town money is collected, bills are paid and the town's financial activity is accounted for. The accountant, treasurer and collector have made an effort to resume financial checks and balances like the reconciliation of cash and receivables. This past budget cycle, the finance committee was effective and instrumental in the budget formation process. Where they were previously infrequent, outside audits are now conducted every two years.

The board of selectmen has, to its credit, started placing demands on staff and has encouraged the treasurer to explore technology options. Town meeting created five special purpose stabilization funds and allowed the town to enter discussions with other municipalities to establish high speed Internet access. Town voters approved converting the treasurer and the collector from elected to appointed positions. More recently, discussion has focused on the merits of sharing a town coordinator type position with one or more towns.

In this context, we have been asked to complete a financial management review for the town. A review involves ensuring that financial practices and procedures are sound as well as verifying that checks and balances are in place. We look for compliance with state laws and regulations. Among other things, we also consider how technology and the structure of government influence financial operations. The review concludes with this report of our observations, conclusions and recommendations on how local government can be more effective and efficient. We have also been asked to provide the town with a blueprint for the future.

With this in mind, we return to the initial question: what standards of performance should be imposed on the employees and financial operations of a small town. Local leaders and residents may be satisfied with the current informality of government. They may feel that long standing practices are sufficient to manage a \$3 million budget, ensure taxpayer money is well spent and otherwise advance good government goals. We prefer to advance the belief that the town and its residents would benefit from changes that tighten operations, create greater accountability and promote long-term planning. Our recommendations represent steps toward those goals.

As an initial, major step in that direction, we recommend that the town review and update its bylaws and put them into an accessible, readable and searchable format. This exercise alone will force town officials, employees and residents to consider and then determine how government should operate in the future. By codifying those decisions, municipal government structure will be defined. Employee responsibilities, reporting relationships and accountability will be clear. Procedures for developing the operating and capital budgets and for measuring performance will be set out and consistent from year-to-year.

We also offer recommendations to improve operations in general and in the various finance-related offices.

## Table of Contents

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1) Complete Substantive Review and Codification of Town Bylaws .....	6
2) Set Employee Hours.....	7
3) Cover Finance Offices During Town Hall Hours .....	8
4) Set Goals and Objectives.....	8
5) Consider a Town Coordinator Role .....	8
6) Shift to Bi-Weekly Selectboard Meetings.....	9
7) Limit Period When Town Meeting Warrant is Open.....	9
8) Discourage Town Employees from Serving on the Finance Committee .....	10
9) Tie Long-Term Planning to Special Purpose Stabilization Funds.....	10
10) Pursue Technology Options.....	10
11) Place all Employees on Direct Deposit.....	11
12) Establish Rules on Stipends.....	11
13) Initiate Capital Planning .....	12
14) Resist Practices that Hinder Free Cash .....	12
15) Review and Amend Employee Handbook.....	12
16) Manage Time .....	14
17) Stay Current with Reconciliation of Cash.....	14
18) Confirm Departmental Turnover Procedures .....	14
19) Review Tax Delinquent Partial Payment Plans .....	15
20) Reconcile Receivables with Accountant Quarterly .....	16
21) Place Data Back-up in Town Possession .....	17
22) Send Commitment to Tax Escrow Companies.....	17
23) Allow an On-Line Payment Option .....	17
24) Reduce Administrative Work Associated with Refund.....	18
25) Modify Payroll and Vendor Warrants Process .....	20
26) Review Town Funds.....	20
27) Stop Issuing Abatements for Out-of-Town Motor Vehicle Excise Bills.....	22
28) Document Formal Votes.....	22

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## Bylaw Review

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### ***1) Complete a Substantive Review and Codification of Town Bylaws***

For its size, the Town of Goshen has a surprisingly comprehensive 50-page handbook which provides approximately 50 town employees with a description of personnel policies, employee benefits and the rules, guidelines, and practices governing conditions of employment. However, for the town's 975 residents, bylaws are not accessible in a way to provide a similar guide to government.

A town's general bylaws play an important role in establishing responsibilities and relationships among town employees and in defining residents' rights and obligations when they interact with local government. But, except for zoning, Goshen bylaws are in no order or form to fulfill these needs. Most are written on 3x5 index cards, arranged alphabetically by subject, all of which are included among a larger collection of cards that document every money and non-money related town meeting vote taken between 1907 and 1989. To identify bylaw additions and changes or town meeting actions since 1989, a person must research annual town reports and town meeting minutes.

The town has engaged the services of an outside consultant to put town records including the card file information into an electronic (digital) format. This is a start and will make the information more accessible, but there are larger issues to address. The town needs to complete a substantive review and codification of its bylaws, which by its nature will prompt debate on larger topics and on the future of town government.

The task involves the appointment of a committee, which can be formed by a town meeting vote or by unilateral action by the selectmen. It would work best if five or seven members reflected a balance between residents and town officials. Its charge should include creating an inventory of existing bylaws, recommending which should remain, be amended or deleted and what new bylaws should be adopted. For guidance, the committee can look to the bylaws of other towns. It should also seek the input of its own residents, employees and officials through hearings and public forums. A one year timetable for completion of its work would be a minimum. The updated bylaws should then be organized so that they are easily readable and searchable. Once approved by town meeting and the State Attorney General, a hardcopy of the new bylaws should be available to residents in the town clerk's office and an electronic version should be posted to the town website.

Bylaws present an opportunity for a town to operate under rules that fit its character and preferences. Many of the issues we raise in this report are appropriate topics in a discussion of bylaws. There are others. Ultimately, it is up to the town to determine the amount of detail to include in each bylaw section and to decide whether sections should be added, deleted, merged or subdivided.

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## Overall Financial Management

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A review of the town's overall financial management practices focuses on the procedures that typically cross over various municipal departments, as well as those that tend to impact town government on a global basis. We examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices, as well as the effect of technology and the town's organizational structure on operations. We considered levels of communication and cooperation that exist among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

On balance, the finance related work of the town is getting done. Most important, financial controls are pursued. However, due to part-time hours, limited time in town hall, work that's completed at home and a general absence of management pressure, tasks are not always completed in a timely fashion. Procedures and forms are sometimes dated. Technology is used, but inconsistently across departments. People work individually, which makes it difficult to cultivate a team atmosphere in town hall and as previously noted, municipal government is characterized by informality.

The recommendations that follow are intended to help the town tighten financial operations. None is individually regarded as a major change, but if fully implemented, the cumulative impact on the operation of government could be significant and positive.

### **2) *Set Employee Hours***

As part of this review, a request was made for job descriptions, but only three were provided (accountant, administrative assistant, assessors). It is unknown whether others exist. Each indicated that salaries are set annually, but none specified hours of employment. On page 8, the town employee handbook states that the "employer" sets work hours and "with prior select board approval, a supervisor may allow employees to schedule flexible hours." It is unclear what this means.

All employees should have a written job description including a statement of how many hours of service the employee is expected to provide. Without agreement on the number of hours required to do the job, it seems unlikely that a fair and appropriate pay rate can be established. When range of responsibilities, hours of work and compensation can be documented and charted, an overall town pay scale can be developed. Such a chart will help provide order and guidance to compensation levels during the hiring process.

The board can make this decision as a matter of policy or recommend an amendment to the employee handbook, but it should also be approved in a bylaw.

### **3) *Cover all Finance Offices During Town Hall Hours***

The select board has inherent authority to set town hall hours, which creates the obligation among those they appoint to ensure that offices are covered. Currently, town hall is open Monday morning (assessing office), Monday night (accountant, treasurer, town clerk), Wednesday night (collector) and Thursday morning (town clerk). The select board meets on Monday night and the board of assessors meets on Wednesday night.

We recognize that traffic to town hall is light, however, residents would benefit if all finance offices were open at the same time. Financial operations would also benefit. Data and information would flow more easily between and among offices. When questions arise, people are available to provide answers. Overall management would improve when all finance offices are available at the same to meet with the select board chair, or a town coordinator. These financial team meetings are useful to review reports, monitor progress on deadlines (i.e., Tax Recap Sheet, Schedule A, balance sheet). In addition, regular town hall hours will lessen the amount of time finance officers work at home, which should in turn prevent town records from leaving the building. Finally, if all are in the building at the same time, security will not be an issue.

Therefore, we encourage the select board to consider setting regular town hall hours. We do not suggest that the individual hours of employees be increased.

### **4) *Set Goals and Objectives***

Whether referred to as performance reviews or setting overall goals and objectives, an annual process should be established, and committed to, that defines core responsibilities of departments and job expectations for employees. It is an exercise best conducted as part of the annual budget process which seeks responses to a simple set of questions in meetings between managers and those to whom they report. Agreement should be reached on the primary legal duties of an office, on tasks necessary to fulfill those duties and on a timetable for performance. When followed uniformly and even-handedly, the process would allow decision-makers and department heads to identify successes of the past year and to set goals for the upcoming year within the budgetary framework. As important, areas of present concern and anticipated problems can be addressed.

### **5) *Consider a Town Coordinator Role***

Irrespective of size, towns throughout Massachusetts have found it increasingly difficult for volunteer boards of selectmen to manage the everyday needs of government. Financial oversight, program management, personnel administration, constituent response are just some of the areas that place demands on the board's time. Meeting once a week actually exacerbates the

problem because not enough time exists between meetings to accumulate and understand the information needed for decision-making. What often happens is that follow-up doesn't occur, progress stalls and the list of items to address continues to grow.

Following the lead of other towns, the select board has begun discussing the merits of a part-time town coordinator. We view this as a worthwhile exercise. Among 61 Massachusetts towns with a population of 2,500 or less, including some neighboring town, 36 have funded such a position.

If the part-time hours of a coordinator coincided with the town hall hours, when all offices are covered, he or she could hold financial management team meetings. He or she could attend select board and finance committee meetings, and could be available to the public. If the select board meets every two weeks, sufficient time would exist to advance issues and solve problems. A coordinator can follow-up on issues and ensure that the select board receives the information it needs to make decisions. He or she would also be in a better position to manage staff, ensure the equitable implementation of policies and serve as an advocate for departments.

This position should not be viewed as equivalent to the current administrative assistant to the select board. It should have the authority and standing to act on behalf of the board.

## **6) *Shift to Bi-Weekly Selectboard Meetings***

Each summer, the select board moves to a bi-weekly meeting schedule and has sufficient time to make needed decisions and otherwise complete town business. For a town as small as Goshen, it is hard to imagine reason for more frequent meetings. We are aware of boards in towns significantly larger than Goshen that manage to complete their work by meeting just twice a month. If emergencies or other circumstances arise and demand immediate attention, the board can always call additional meetings. Bi-weekly meetings are not dependent on, but would be particularly effective if the town were to engage the services of a part-time town coordinator. In either event, we recommend that the town extend its summer schedule of bi-weekly meetings to year round. The board can make this decision as a matter of policy, but it should be also be approved in a bylaw.

## **7) *Limit Period When Town Meeting Warrant is Open***

We recommend that the select board designate a four-week period when the annual town meeting warrant will be open. Only during this period would the board accept requests to place articles on the annual town meeting warrant. Once the period closes, the opportunity ends unless a request is presented under the signature provisions of M.G.L. C. 39, s. 10.

By opening and closing the warrant, the board will encourage more diligent planning by departments. By eliminating last minute additions, organization of the warrant, town counsel review of articles, arrangements for printing and posting the meeting notice can be scheduled in

an orderly fashion. The board should also set guidelines for re-opening the warrant if the need arises, but circumstances should be narrowly defined. The board can make this decision as a matter of policy, but it should also be approved in a bylaw.

#### **8) *Discourage Town Employees from Serving on the Finance Committee***

We understand that there is frequently a limited volunteer base in smaller towns which makes it difficult to fill seats on the various boards and committees. We agree that it runs counter to good sense to deny appointment to a person who has knowledge and experience that would advance the cause of the committee and benefit the town. However, we suggest a distinction should be made between standing and ad hoc committees, and between town employees and residents as members. It may not be optimum when employees in one town department sit on a permanent committee which, under its charge, sits in judgment of other town departments.

#### **9) *Tie Long-Term Planning to Special Purpose Stabilization Funds***

This past May, the Goshen Town Meeting approved five special purpose stabilization funds for: police vehicles, highway department, town buildings, assessors and fire vehicles. This action was taken in part to replace pre-existing funds that were created without proper statutory authorization. To be of value, each fund needs a connection to a long term plan.

In regard to the police and fire vehicle funds, the town needs to inventory existing vehicles, grade their condition, establish a maintenance plan and develop a replacement schedule. The result might be a five or ten year plan, which would include anticipated annual costs. The same analysis should be conducted relative to the highway department, town buildings and assessors. This information would then be incorporated into a long-term, town-wide capital investment plan.

We also encourage the town to consider the unique override/exclusion type funding option for special purpose stabilization funds. Information is available on the Goshen Town Clerk's website and at the DLS website ([www.mass.gov/dls](http://www.mass.gov/dls) - click on "Financial Management Assistance" and then "Best Practices")

#### **10) *Pursue Technology Options***

The treasurer has been encouraged by the select board to explore software options for her office. We recommend that rather than move forward in an isolated effort that this be completed with a town-wide perspective. A small committee of residents and town officers can be formed to look at how technology is currently in use in town government and to examine options for expanding its use to advance efficiencies.

The benefits of a town hall network, uniform financial management software and permitting software should all be examined. The task begins with understanding how the town finance and other departments currently use software applications and how effective they are to the transfer and exchange of information and data. Of particular interest should be applications that can eliminate redundant data entry by two different offices. In this regard, the treasurer and accountant might benefit most whether through importing and exporting Excel spreadsheets or through compatible financial software modules.

Communication and the exchange of information can occur through a hardwire network that connects computers in town hall, or by access to applications over the Internet referred to “software as a service.” Establishing a network requires a greater upfront infusion of capital, but is fast and reliable. Web-based financial software offers the same products, costs less at start-up, but is impacted by local Internet speeds.

Equally important is how town residents interact with their government. Some town departments already do a good job of providing information to residents on the website, but more might be done.

### ***11) Place all Employees on Direct Deposit***

For the town, direct deposit further reduces the cost of issuing pay checks and prevents the need to reissue lost checks. Because funds are automatically deposited to employee bank accounts, there are no outstanding checks, which simplifies the reconciliation of the town’s payroll bank account. For employees, direct deposit is safer, generally more convenient and money is immediately available on the pay date.

### ***12) Establish Rules on Stipends***

Most consistently request monthly payments, but all employees have full discretion as to when they receive payment of their stipends. According to the accountant’s March 31, 2010 expenditure report for town departments, appropriated salaries and stipends total \$272,883 in FY2010. Eleven stipends are less than \$1,000, eight are between \$1,000 and \$3,000, and 16 stipend categories are over \$5,000.

Stipend rules might be that those under \$1,000 are paid on a quarterly basis, while greater stipends will be paid monthly or bi-weekly. Or, once a pay schedule is selected, it can be altered during the fiscal year. These kinds of rules can bring predictability to cash flow. They also might prompt the town to set expectations for the number of work hours for appointed personnel, and to more closely examine its time sheet system. Documenting time becomes important because, like salaries, stipends can only be paid after pay has been earned.

### **13) *Initiate Capital Planning***

Even when funds are scarce, capital planning should continue on. If a separate committee is not formed, then the responsibility for reviewing capital requests can fall to the finance committee. Departments would submit their capital needs together with their general appropriation requests. To build a long-term plan, departments should indicate needs on an annual basis extending five years into the future. If funding is available, the finance committee would prioritize requests based on objective criteria. Projects not funded would be pushed into subsequent years. Even without funding the town benefits from identifying its capital needs.

### **14) *Resist Practices that Hinder Free Cash***

There are multiple instances when the town meeting has been asked to allow unspent departmental appropriations to be “carried over” into the next fiscal year for the benefit of the particular department where the savings originated. The practice is not too far removed from the suggestion in Goshen that departments be credited, through an appropriation, with funds the town receives due to the services the department provides.

Under state law, all municipal revenue must be deposited to the town’s general fund, unless directed otherwise by the General Laws. As a management practice, allowing departments to carry forward unspent appropriations or “retain” receipts is not advisable. It creates the perception that one department has greater or preferred standing over another. It places departments that do not generate revenue, or are unable to create turn backs, at a disadvantage and creates the perception of an uneven playing field. It encourages a “department first” mentality that runs counter to the accomplishment of town-wide goals.

If either of these practices is allowed, the department’s budget for the upcoming year should be adjusted downward by the amount of anticipated credit or carry forward. As a matter of public policy, departments should not be funded based on the revenue they take in. If this were the case, the collector’s office would receive all tax revenue. If excess money exists at year-end, it should be allowed to flow to free cash. Town meeting can then allocate it based on actual departmental needs and town-wide priorities.

### **15) *Review and Amend the Employee Handbook***

The 50-page employee handbook has the feel of a document that originated in the private sector. It is comprehensive and much of the content is useful to employees in a community without collective bargaining agreements. However, it should be reviewed to determine if there are unrealistic or inappropriate provisions, whether obligations are unenforceable or references to working conditions are accurate. A concise, streamlined version may end up being a more valuable document for the town and its employees.

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## Treasurer

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

The Goshen treasurer was appointed to the part-time office in 2004. She spends two hours a week, from 6:30-to-8:30 pm, in town hall during Monday evening office hours. Other hours she devotes to the job occur at night in her home. The treasurer is credited with improving the operation of the office, which was apparently experiencing problems prior to her arrival. In February 2009, she accepted the full-time position as assistant treasurer for the City of Northampton. She now balances her time between both jobs.

The treasurer states that she uses Excel to maintain a receipts log, a cash book and tax title accounts, and she uses Microsoft Quickbooks to process the town payroll. She receives a signed copy of warrants and then data enters individual payroll and invoice information into Quickbooks in order to print checks. She then returns all the back-up documentation to the accountant. The treasurer backs-up her data files to a flash drive. It appears that she does not maintain a debt schedule. Properties in tax title number 20-25 and outstanding amounts are generally less than \$7,000. There are property owners on payment plans, but it seems that little progress is made on reducing balances. The treasurer also handles personnel issues to the extent of gathering health and withholding information for new hires and changes from employees.

Conclusion - In terms of knowledge and experience, the treasurer appears fully capable of fulfilling the legal responsibilities of the position. Her desire to do so is not at issue. However, because she was unable to provide materials and papers requested as part of this review, it is not possible to comment on the content of her work product. This gives rise to the question whether her full-time commitment in Northampton affects her ability to complete work on a timely basis for Goshen. Of concern is whether funds get deposited, refunds get paid and reconciliations are completed in a way that results in up-to-date town financial records. It is our understanding that selectboard members and the treasurer have openly discussed this matter. We offer a comment as well.

## **16) *Manage Time***

The Town of Goshen benefits when the treasurer gains experience and transferable knowledge through her work in Northampton. However, those benefits are offset if the treasurer is unable to complete work required of her in Goshen in a timely fashion. If this is occurring, we suggest the treasurer consult with her supervisor in Northampton about freeing up a couple of day-time hours a week for Goshen work. This time would be for making bank deposits, meeting with the accountant to reconcile cash, or resolving issues and completing tasks that cannot be addressed at night. In return, she could offer to work equal hours on another day, or spread among a few days, in Northampton.

## **17) *Stay Current with Reconciliation of Cash***

The reconciliation of cash should occur on a monthly basis. The treasurer should first internally reconcile her cash book to bank statements and then reconcile her results with the accountant's general ledger balances. If variances exist, the treasurer should verify that her cash book entries match totals from source documents. They include departmental turnover sheets, wire transfers in, and other payments received on the revenue side, and vendor and payroll warrants on the expenditure side. If lapses occur, the town will not have an accurate picture of its cash standing.

## **18) *Confirm Departmental Turnover Procedures***

A turnover is money a department receives typically over-the-counter, which it must account for and by law deliver to the treasurer. We recommend the treasurer remind all departments that they must adhere to the following cash control and turnover procedures, if they do not already:

- 1) All departments should have numbered receipts, which should be completed when ever cash is received. The department must keep one copy of the receipt with the payment received.
- 2) Departments should maintain a log of all receipts with detail as to who made the payment, whether by check or cash and with the date and purpose of the payment.
- 3) All money should be stored in a lock box and in a locked drawer overnight. If accessible, use a safe.
- 4) Departments should deliver turnovers to the treasurer when receipts are \$100 or more, otherwise turnovers should occur no less than once each month.

- 5) Departments must prepare turnover sheets in triplicate and must hand deliver turnovers to the treasurer. Turnovers should never be sent by mail. Once money is counted in their presence, the person from the department must deliver one turnover sheet to the accountant. The department retains one and the treasurer retains one. If regular town hall hours are set when both the accountant and the treasurer are present, this process should work.

The treasurer should also consider creating and providing departments with a standardized turnover sheet in Excel. The forms would be customized to the extent that the department name and revenue codes would be pre-printed on the forms. When amounts are entered, totals can be automatically calculated.

### ***19) Review Tax Delinquent Partial Payment Plans***

The treasurer should review agreements she has reached with delinquent taxpayers to gradually repay past due tax title amounts. If the property owner is unable to pay a current bill, the pay schedule must result in full payment of the overdue balance within a year; otherwise progress will not be made. State law actually requires that partial payment agreements involving tax titles can only be executed with an initial payment equal to 25 percent of the total past due amount.

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## Collector

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The Goshen town collector has served for 13 years as an elected office holder. Recently, the position was converted by a town-wide vote to an office appointed by the selectboard and she is expected to be its first appointee. It remains a part-time position with scheduled office hours from 7:00-to-8:00 pm on Wednesday evenings. The collector also works out of her home.

The collector possesses the authority to collect real and personal property taxes, which are billed quarterly, excises, betterments as well as other charges and payments due the town. Commitments received from the assessors are uploaded to Point collections software where taxpayer accounts are maintained. The collector receives, reconciles and posts receipts. She deposits funds directly into the treasurer's account for the town and makes frequent turnovers to the treasurer. She maintains a receivable control in Excel, but logs receipts in a manual ledger. She receives notice of abatements and exemptions from the assessors, issues refunds when due (using four copies of an old state form) and municipal lien certificates when requested. Most payments arrive by mail at a post office box, only a few are received over-the-counter and some are put in a mail box in town hall when the building is open. There is no on-line payment option.

The collector contracts with a deputy collector who receives motor vehicle excise information from the State Registry of Motor Vehicles. The collector pulls exempts and receives a billing file to upload into Point. At that time she informs the assessors as to the amount they should commit back to her. Demands for motor vehicle, as well as property tax, delinquents are sent out timely as are subsequent tax title files to the treasurer.

It is our understanding that, historically, the collector reconciles her receivables on a quarterly basis, but delivers her balances to the accountant, for reconciliation with the general ledger, only twice a year. The reconciliation process, and the resolution of any variances, involves comparing Excel worksheets with reports from Point.

The collector has a redundant back-up practice. Taxpayer information is saved and stored to a flash drive which she carries. She creates a CD which is in a location known only to her and a third party. And, a hardcopy of certain data exists, such as the commitment book.

Conclusion - By moving from an elected to an appointed position, the town will be able to retain the services of the current collector. The collector successfully completes the statutory duties of the office. Our recommendations underscore more frequent reconciliations of receivables and are otherwise intended to help streamline procedures.

### **20) *Reconcile Receivables with Accountant Quarterly***

The collector reports that she reconciles her receivable balances on a quarterly basis, but submits her balances to the accountant twice a year. Over the last year, that six month period stretched out to nine months. At fiscal year end, the reconciliation between the collector's records and the accountant's general ledger occurs. However, we recommend that the collector

place emphasis on the reconciliation of receivables and send her balances to the accountant, at least, at the end of each quarter. With this schedule, the accountant will only have to go back three months rather than six to resolve variances, if any, and town financial records will be more up-to-date.

### **21) *Place Data Back-up in Town Possession***

To her credit, the collector backs-up the town's taxpayer account records regularly and stores the data on both a CD and a flash drive. She keeps the flash drive on her person and stores the CD offsite at a location known to a third party. No request was made as to the identity of that person or of the offsite location. If it is not already the case, we recommend that these public records be placed in the custody of another town official and be stored in a safe, or other secure location, such as at the town police station. While the collector takes willing responsibility for the security of this important data, preparedness for all possible outcomes, suggests that a public official rather than a private citizen, however trustworthy, be responsible for delivering backup records of taxpayer accounts to the appropriate persons.

### **22) *Send Commitment to Tax Escrow Companies***

Currently, tax escrow companies send a spreadsheet to the collector requesting tax payment amounts due by each of its Goshen homeowners. The collector does research for, and sends the payment information to the company. When the company returns a check in payment, she manually enters the information into the Point software. Instead, we recommend that she follow the practice of other towns by providing the escrow companies with an electronic copy of the commitment. She should instruct them to identify their clients and the amounts due. She may also impose a charge for providing the CD. If the escrow companies return the payment information in an electronic format, she should determine whether it can be automatically uploaded into the Point software.

### **23) *Allow an On-Line Payment Option***

In Goshen, as in other small Western Massachusetts communities, where town hall office hours are few, and where home business and home offices are on the rise, providing access to on-line bill paying makes sense. The financial institution which receives payments immediately deposits receipts into town accounts and sends the town financial reports in hardcopy and electronic formats. If the payment information can be automatically uploaded to taxpayer accounts in the Point software, the on-line process becomes an efficiency for the collector and a convenience to town residents as well to those who owe the town money, but reside elsewhere.

We also suggest that the town consider placing a lock box, secured to the building, where residents can drop-off payments at town hall. We offer this as a better option than a mail slot where payments drop into an open, unsecured basket.

#### **24) *Reduce Administrative Work Associated with Refund***

In order to execute a refund, the collector makes four copies of an older DOR form and distributes three of them to other various offices, including the treasurer and accountant. When one is returned indicating that a refund is actually paid, she retains it and discards her original. We recommend instead that the collector treat a refund like an invoice she would submit to the accountant for payment through warrant process. There is no need for multiple copies of the refund request, and no urgency that she receive notice that the payment was actually made, any more than she would want verification of a vendor payment through the warrant process. Confirmation of payment will occur at the end of the month or quarter when she reconciles her receivables with the accountant.

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## Accountant

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The accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, she maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; the accountant prepares vendor and payroll warrants; reconciles cash and debt with the treasurer and receivables with the collector; and produces various financial reports. The accountant is responsible for providing DOR with the town's annual Schedule A by October 31 and its year-end Balance Sheet (for Free Cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet (for tax rate approval).

The Goshen town accountant has held the part-time position since 1985. She has regular office hours in town hall from 6:00-to-8:00 pm on Monday evenings. Otherwise, she will take town records to complete accounting work at her home. Like other finance officers, her space is a partitioned off section of a larger room in the former school that now serves as town hall.

The accountant has a town issued laptop computer and enters much of her data into Excel spreadsheets. However, she continues to rely on hardcopy ledger sheets into which she hand-writes the same data. She uses the so-called "statutory accounting system" (STAT), which is no longer regarded as the professional standard for municipal accounting in Massachusetts. Its successor is the Uniform Municipal Accounting System (UMAS).

The accountant receives timesheets from the town's three full-time employees and certain other part-time employees. All are signed by employees and by department heads. Many who receive stipends send her a form that is more like a requisition for payment, as no days or hours worked are indicated. The accountant enters payroll information into her spreadsheets, sorts it by account, and then creates the warrant using an older type-written state form. She follows a similar process for vendor warrants. The accountant produces monthly expenditure reports and reconciles cash and receivables when she receives reports from the treasurer and collector. In the past year, reconciliations have lapsed. Otherwise, of note is the number of individual funds that are established for a range of purposes.

Conclusion - Although no longer preferred, the STAT system does not bring into question the accuracy of the town's financial records. Although we do not favor official documents leaving town hall, a part-time position provides sufficient hours to complete recurring tasks like completing warrants, and annual projects like closing the books, preparing the town's balance sheet and submitting its Schedule A. However, more attention could be paid to reconciliations which are dependent on the treasurer and collector completing their part of the process. The accountant, and the town, could benefit from greater use of technology and certain

procedures could be streamlined. We address this issue in the Overall Financial Management section of the report.

## **25) *Modify Payroll and Vendor Warrants Process***

There is little reason why vendor warrants could not move to a two week schedule, especially if the selectboard chooses to meet bi-weekly. Payroll warrants are already processed on a bi-weekly basis. If department managers are attentive, invoices can be submitted in sufficient time to avoid late payment penalties.

We recommend that warrants be created as Excel spreadsheets. The accountant currently uses long-standing state forms, which require lists of vendor and payroll payments to be typed-in. Corrections, when necessary are made by hand. In an electronic format, totals can be added automatically and copies can be safely backed-up. A person with knowledge of Excel should work with the accountant to develop an appropriate form, including a place for required signatures. They might also explore with the treasurer whether warrant information can be organized in a way that allows it to be automatically entered into Quickbooks through the Import/Export or Cut/Paste functions. Then repetitive data entry can be avoided.

When the accountant produces a vendor and payroll warrant, they each require selectboard signatures, but are identified with the same warrant number. We suggest that when the accountant creates the warrants, she assign a different number to each. The payroll liability balances (withholdings) would be an attachment to the payroll warrant.

Finally, the accountant should retain each warrant with original signatures and forward a copy to the treasurer. In the instance of a payroll, the warrant itself will indicate the check amounts, so the treasurer need not receive employee timesheets.

## **26) *Review Town Funds***

The end of month report generated by the accountant lists a number of funds with and without indicated balances as of March 31, 2010. They appear to include special revenue funds, gift and trust funds, reserves and accounts created when town meeting approved an article and appropriation.

We recommend that the accountant work with departments to determine whether a fund purpose is on-going, where the town continues to receive grants and if legal authority to establish a fund exists. If the continuance of a fund cannot be justified, it should be closed out and removed from the town financial records.

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## Assessors

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In FY2010, the volume of work in the Goshen assessing department involves 1,008 parcels including 835 residential real estate parcels, 14 commercial/industrial accounts (including two quarries) and 47 mixed use properties. There are 97 properties in chapter land status and an additional 15 personal property accounts. All are billed on a quarterly basis. Over the course of one year, motor vehicle commitments total about 1,200 accounts. The office issues around 15 personal exemptions annually and on average has received only three abatement applications in recent years.

A three-member, elected board of assessors, all with three years of experience, oversees the department. All began their tenure three years ago when the sitting board members resigned simultaneously in response to criticism of their performance in office. All have fulfilled DOR requirements to complete the assessors' certification workshop and Course 101. Town meeting, in May, approved a measure that will allow the board chair to serve as the part-time department assistant assessor, which we view as a positive development. She and a second board member are also elected members of the town finance committee. A part-time assessors' clerk staffs the office each Monday from 9:30-to-11:30 am.

The resident property information is maintained on Patriot software which was recently updated to the most current version. The board uses the application to complete interim and triennial revaluations in-house, with the assistance as needed from Mayflower Consulting. Board members complete inspections of building permit properties, abatement properties as well as those as part of the cyclical re-inspection program. The assistant assessor receives all the new information and makes changes to property records in the Patriot system, including title changes and subdivision information received from the Hampshire Registry of Deeds. The board conducts classification hearings, approves all exemptions, and sets the town overlay reserve as part of the budget process. It also provides levy information for use in the Tax Recap Sheet submitted to DOR. The assessing clerk organizes inspections, handles mail, takes meeting minutes among other things. The department has a limited role in processing motor vehicle excise bills, which warrants attention.

Conclusion - This board, whose members are relatively new to assessing, views it as their charge to build fairness and uniformity in the valuation of town properties. Toward that end, they have collectively been engaged and committed. The board chair, who also serves as assistant assessor, has in particular played a valuable role in organizing the department and, improving how the office functions. All receive strong grades from the DOR Bureau of Local Assessment for their efforts. Noteworthy is that in their first year together, the town was among the last municipalities to receive DOR tax rate approval. In FY2009, they were among the first ten percent to receive approval. As a result, our recommendations are few.

## **27) *Stop Issuing Abatements for Out-of-Town Motor Vehicle Excise Bills***

Only the assessors can determine the motor vehicle commitment. Until that happens, only “lists” exist. Therefore, motor vehicle registration information received by the town’s deputy collector from the Registry of Motor Vehicles must first be sent to the assessors and not to the collector. The assessors should pull, or otherwise identify, bills belonging to other towns and exempt vehicles. The collector can help during a transition period, but it is not for the collector to advise the assessor as to what amount to commit. The identified accounts should be sent to the deputy collector, in whatever form is agreed to, so that he can remove them from the town’s list of accounts to be billed. The deputy collector would return an adjusted list to the assessors, who would confirm and commit amounts to the collector. Bills would be stuffed and mailed as is customary. Because other towns’ bills are not part of the actual commitment, no abatements are necessary. The town should continue its practice of forwarding the pulled bills to the appropriate town and should expect to receive others in return. The same process would apply to exempt vehicles and, as well, to the commitment of real estate and personal property.

## **28) *Document Formal Votes***

The assessors should take and record formal votes on all decisions affecting property valuation. It is our understanding that the assessors are properly voting on their property valuation decisions. However, DOR Bureau of Local Assessment has asked that we reiterate the point that the details of motions and votes be recorded. Motions should be explicitly made and seconded before formal votes are taken and recorded in the following instances:

- to approve or disapprove abatement and exemption applications
- to accept and approve the valuations on the Tax Recap
- to adopt the annual Overlay Reserve
- to approve or disapprove Chapter Land applications
- to make any substantive changes to property valuations such as removing influences or combining parcels

Motions and votes should be accurately reported in the meeting minutes. There are also times when hearings need to be recorded and when ample notice to taxpayers provided.

## Acknowledgements

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