



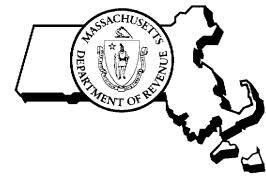
Town of Groton

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

May 2004





Introduction

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

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

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town charter and by-laws as well as other assorted financial records. Internal records and other materials were also provided to us by the town.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the town's budget and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the members of the board and others, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various town boards, committees and officials.

Executive Summary

Settled around a travel route that dates back to Revolutionary times, Groton remains a mix of rolling fields and woods, working farms and camp communities around its ponds. Contributing to the town's appeal, campuses of the Gorton School and Lawrence Academy date to the mid-1800s, while the downtown corridor is equally reminiscent with its procession of vintage residential architecture. Even with recent growth, the town's population density of a mere 306 people per square mile serves to enhance a rural quality and alludes to a simpler time. But, changes are taking place in the town and, as a by-product, in local government.

With an estimated population just over 10,000 people, Groton might be viewed as at the high end of the small-town range. With an appealing quality of life and proximity to employment centers along Interstate 495, the town is likely to continue attracting new home developers and new residents. As it does, this simple addition of new people into the community will cause an increase in demand on existing municipal services, as well as stress on infrastructure. With the influx of new taxpayers will come divergent views on how money should be spent and greater expectations for accountability, efficiency and responsive government in return for tax dollars.

It is this undercurrent that may already have surfaced at the 2003 annual town meeting which is described by some as having been contentious, and by others as embarrassing. As recounted to us, townspeople reacted negatively to the display of discord among public officials. They were left angry with the impression that the budget process was uncoordinated and that decision makers appeared uninformed.

In response and to their credit, town leaders have reacted decisively. The board of selectmen and the finance committee have joined in a deliberate effort to initiate the budget process earlier in the year with the intent to build consensus on spending levels and priorities. An organized process to formulate and distribute budget guidelines to department heads resulted and a new emphasis was placed on a capital improvement program. At the same time, decision makers have refocused on draft policies prepared by the town administrative officer establishing debt, reserve and overall financial management guidelines. The five-member board of selectmen is reviewing proposed policies and procedures to govern itself and has initiated a liaison system with departments to adopt goals and objectives. For its part, the finance committee has contributed to improved communications and has been receptive to input from the selectmen and departments heads as it fulfills its primary responsibility to formulate the annual budget.

On an operations level, the town already benefits from capable administrative personnel. The administrative officer, tax collector/treasurer and assistant assessor all have prior experience in government, and while the accountant and many staff are relatively new, most seem to come from finance-related positions in the private sector. All appear to understand and effectively carry out their respective responsibilities. Taking advantage of a pool of talented volunteers, the

town further benefits from various citizen committees which are actively working to examine issues in the areas of technology, government structure and town growth, to name a few.

For all of these reasons, Groton grades well in the current management of its affairs and is ahead of many other towns of similar size in its development of fiscal policies.

However, challenges lie ahead. On its own, municipal management increases in complexity over time, but in Groton, there are added financial complications in relationships with the Groton Country Club, the Groton municipal light department, and water and sewer enterprise funds. Although not burdened by school department finances and administrative duties, the town must still grapple with the budgetary impact of a student population which is rising at a rate twice that of the general population and with the prospects of facing school override votes in successive years.

Moving forward in this environment, the town government must continually strive to improve day-to-day management, create efficiencies and sustain the progress that's been made. Toward that end, our most immediate observations relate to staff and personnel administration.

Striking is the absence of a centralized management structure where accountability runs from staff, through department heads to a single administrative authority which oversees all of town government. As presently empowered, the administrative officer position falls short of fulfilling this need. The board of selectmen oversee only a portion of government while managers of other departments are accountable to various independent boards, committees and commissions.

The result is a structurally disconnected form of government, where the administrative process relies on department heads working together toward the implementation of town-wide goals and, when in dispute, somehow finding a way to resolve problems among themselves. When these efforts fail, selectmen are sometimes drawn into a management role or are approached to end conflicts. The system seems to function adequately under these circumstances today but, as personnel change, this may not always be the case.

Also, a program of regular employee performance evaluations, now missing, would help define job expectations for managers and staff. When implemented in an even-handed way, such a program has the potential to reinforce accountability, bolster employee morale and strengthen resident confidence in government.

The town must, as well, do better at fulfilling its legal obligation to maintain complete and accurate personnel records. The town by-law requires the appointment of a personnel administrator, but the position has never been filled. Instead, human resource duties are spread among staff in different offices. Coincidentally, the content of personnel files are sparse and information gathering procedures are not uniformly applied.

We discuss these recommendations in this report together with others relating to town government structure and suggestions intended to improve operations. In some instances, our recommendations are intended to underscore the importance of following through with initiatives already taken by town officials and department managers. Examples involve recommendations to establish an early budget calendar which should begin with revenue projections, the acceptance of financial policies, and the consolidation of personnel responsibilities. In other areas of government, we prompt the town to take greater advantage of its technology resources, while in the various finance offices, all of which function well, we offer suggestions for procedural changes.

Intertwined with many of our recommendations is the belief that the time is right for the town to review its by-laws and organize itself under a town charter.

Conclusion – Every town has a life span during which it grows from one phase into another. Groton, while not yet a built-out community, is on the verge of entering a new phase of its development. The town's physical landscape is in transition and the personality of the community is quietly evolving. Local government faces expectations of greater accountability and the pressure to be economically responsible is in the forefront. Despite its successes, the town of Groton will inevitably reach a point where the part-time efforts of the selectmen, finance committee and other board and committee members, no matter how caring and capable, will not be enough to manage the increasingly complex issues of municipal government.

Moving forward, an appropriate town response would be to first build on the momentum gained to date by acting on recommendations that can further strengthen town management through relatively quick and simple implementation. As an important parallel response, we encourage the start of a process that will ultimately lead to a town charter with the design to incorporate community decisions on what attributes of government will best enhance fiscal management, serve the people well and preserve the character of the town in the future.

Summary of Primary Report Recommendations

Overall Financial Management (page 7)

- 1) *Revisit the question of a town charter*
- 2) *Create a town administrator position*
- 3) *Implement employee performance reviews*
- 4) *Assign personnel administration responsibilities*
- 5) *Begin the budget process with revenue projections*
- 6) *Formalize the budget calendar*
- 7) *Review and adopt financial policies*
- 8) *Create formula for PILOTS*
- 9) *Plan for a self-sufficient Groton Country Club*

Computers and Technology (page 14)

- 10) *Plan for full-time technology position*
- 11) *Explore ways to enhance training*
- 12) *Centralize technology decisions*

Tax Collector/Treasurer (page 16)

- 13) *Review relationship with deputy collector*
- 14) *Consider lockbox with town collector*

Assessors (page 18)

- 15) *Discontinue manual records*
- 16) *Limit deeds sent to outside engineering firm; consider records disposition*
- 17) *Send address and map/lot changes to collector*
- 18) *Expand building permit inspections*
- 19) *Increase staff straining on Patriot software*
- 20) *Retain copies of receipts*

Accountant (page 21)

- 21) *Review office technology relative to Harper's payroll software, employee time sheets, MIP payroll module and data transfer with Excel*
- 22) *Develop a recreation department cash flow budget*
- 23) *Add detail to payroll warrant*

Overall Financial Management

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

It is immediately clear that the town's finance offices function well. Managers are capable and staff are uniformly competent in carrying out delineated responsibilities. Despite considerable turnover in recent years and the general absence of prior municipal experience among new department heads and staff, sound financial management procedures have been established and are adhered to. The general consensus among those interviewed is that communication is good between departments and with town boards. The willingness among staff to work together and a desire to do a good job all contribute to a smooth financial operation.

As a result, payroll and vendor warrants are prepared and approved on a timely basis. The board of selectmen and finance committee have taken the significant steps to improve the annual budget process. Separately, an effort to formulate and fund a capital improvement program has begun to get serious attention. The town has in the past built reserves, exercised restraint in their use and is now on the verge of accepting formal reserve policies. Similar policies to guide debt and investment decisions, and to spur long-range planning through a capital improvements program are also ready for acceptance. For these and other reasons, the town of Groton is ahead of many other communities in the management of its finances.

However, for all of these positives, there are other areas that warrant attention. The most critical involves the lack of line authority in town government. A horizontal, or decentralized, structure of government is clearly seen in the town's organizational chart and further evident by the silence of the town by-laws on matters of appointing authority, performance reviews and procedures in general. In the further absence of a charter, the town runs the risk of operating on an ad hoc set of rules which are subject to change as the personalities in office and philosophies of government shift.

We address these issues and otherwise offer specific recommendations that encourage formalization of procedures that seek to secure the long range stability of the town.

RECOMMENDATION 1: REVIEW BY-LAWS AND ADOPT A TOWN CHARTER

We recommend that the town complete a comprehensive review and updating of its by-laws and work toward the adoption of a charter. At a time when cities and towns are making local decisions on how they wish to be governed through the adoption of by-laws and charters, the town of Groton defaults, in large part, to generic state statutes. Useful for basic guidance and prescribing minimum standards for elected and appointed officials, the general laws fail to account for distinguishing characteristics, and leave to communities the establishment of procedures under which they operate. Through charters, cities and towns have formed more customized organizational structures and have more clearly defined procedures, and Groton should do the same.

In its present form, the Groton by-laws are sparse and due for review. Although exceptions exist, the by-laws offer little or no information on the duties of town offices, the budget process, or appointing authority. In contrast, well run communities will typically include these and other provisions in charter language, or in by-laws, to define the responsibilities and relationships of officials and the expectations placed on government. To ensure long-term stability, and to discourage frequent or frivolous amendments, a charter has become the preferred vehicle to define the community's organizational structure.

Equally important to a review of by-laws and in the adoption of a charter is the recognition that these are official records and documents of the town and play an important role in informing and empowering municipal officials and employees as well as residents. Well thought-out language, not only creates clarity of purpose, but strengthens confidence in government.

By-law changes require a vote of town meeting, but there are two alternative paths leading to the adoption of a new charter. Under MGL Ch. 43B, 15 percent of the town's voters must petition the board of selectmen to place a referendum question on the local ballot whether to adopt a new charter and, if so, to elect a nine-member charter commission. Once approved, the commission is directed by statute to hold its first public hearing within 45 days of the election and to complete its final report within 18 months. At that time, its recommendation, if any, would be placed before the voters for acceptance or rejection.

Generally, through the authorization of town meeting and town-wide referendum, a home rule petition containing the provisions of a new charter can be submitted to the State Legislature for approval as special legislation. This procedure presumes that the town has established a means, i.e., a study committee, to receive public input, consider alternatives and arrive at proposed charter language.

In either event, we suggest that the Town Government Structure and By-Law Committee might be the appropriate vehicle to research each path to charter creation, and also provide a framework of charter issues.

RECOMMENDATION 2: CREATE A TOWN ADMINISTRATOR POSITION

We recommend changes that firmly establish a town administrator or town manager as the central management authority in town hall. The concept of centralized management should be foremost in any discussion of by-law revision or charter adoption.

The present administrative assistant position is effectively a department head who reports to the board of selectmen and otherwise serves as a liaison to other departments. Missing in town government is the essential ability of one person to execute town goals, to take initiatives to improve operations, and to establish equal accountability over all those responsible for the day-to-day administration of town business.

With these and other responsibilities, the town administrator or town manager should have a central role, on a substantive level, in the development of budget guidelines and the annual budget process. He or she should lead a financial management team and orchestrate analyses of financial data, coordinate long range revenue and expenditure forecasting, and oversee fiscal procedures.

Whatever course of action the town chooses, it should consolidate appointing authority in a way that clearly establishes a line of accountability that converges in the town administrator or town manager. Under this structure, part-time boards and commissions can continue to provide expert guidance, make customary decisions, and formulate policy. However, the responsibility to oversee town government will be more squarely placed in the hands of a full-time professional hired for that purpose.

RECOMMENDATION 3: IMPLEMENT EMPLOYEE PERFORMANCE REVIEWS

We recommend that the town implement a program of employee performance reviews.

Guidelines establishing a time, procedure and framework for reviewing the job performance of all town employees should be developed. Because of the absence of centralized management, the board of selectmen in Groton would bear the greatest responsibility for conducting performance evaluations. The board would evaluate the administrative officer and the managers of all departments over which it has jurisdiction. Other boards would evaluate their respective department heads, while staff evaluations would be completed by department heads, unless they are accountable to the board of selectmen.

Under a system where a single administrative authority has broad appointing responsibility, the selectmen would evaluate that person (a town administrator or town manager), and he or she would evaluate all department managers. Staff evaluations would be completed by department heads.

Generally, guidelines would set-out the purpose of the evaluation policy. They might identify step-by-step evaluation procedures that prompt a review of an employee's work responsibilities, previously established goals and performance. Guidelines should lead to agreement on priorities and new goals for the ensuing evaluation period.

In this way, employee evaluations can reinforce responsibilities and clarify job expectations for managers and staff with the message that their performance will be measured annually. If implemented in a methodical, even-handed way, regular job performance evaluations can reinforce accountability, bolster employee morale and elevate resident confidence in government.

RECOMMENDATION 4: ASSIGN PERSONNEL ADMINISTRATION RESPONSIBILITIES

Consolidate and assign personnel policy administration and benefits coordination. Although never appointed, Section 48-3 of the town's by-laws directs that there shall be a personnel administrator. In practice, the responsibilities of the position are spread among various individuals or departments, and of greater concern, personnel files are reported to be incomplete.

If the town chooses not to fill the personnel administrator's position, the job should be eliminated from the by-laws. The need, however, to perform the personnel function does not disappear. The town must take the steps necessary to devise a plan for more comprehensive personnel and benefits administration. Such a plan should consolidate the responsibilities in one person who would shepherd new hires through the system, maintain updated and complete personnel records, oversee the execution of a performance evaluation program, track salary classifications and update job descriptions, ensure compliance with collective bargaining agreements, particularly in regard to grievance procedures, and otherwise carry-out the requirement of the town's personnel by-law.

As the town grows, these duties will increase in importance and become more time consuming. To gain insight, the town should consider communicating with counter-parts in other communities with strong personnel and benefits procedures.

RECOMMENDATION 5: BEGIN THE BUDGET PROCESS WITH REVENUE PROJECTIONS

We recommend that the budget process begin each year with early revenue projections. As we understand it, the budget process has begun in the past with an examination of expenses the town expects to face. While this is a necessary exercise, Massachusetts municipal budgets are, in fact, revenue driven. Therefore, we recommend that the town begin the budget process with a projection of revenues.

The initial steps of this process should be completed on or about November 1 and incorporated into budget guidelines for department heads. It's our understanding that this task has, in the past, been completed by the finance committee working with the administrative officer and finance officers later in the budget process. Projections should be in a format that mirrors the Tax Recap sheet. If the town accountant produces periodic revenue reports in the same format, clear trends will emerge and form a sound basis for estimating future revenue levels.

Overall, projections should be conservative. Tax revenue can be accurately predicted by the assessor. Policies should dictate how much, or what percent, of free cash, stabilization or other one-time revenues will be used. The same type of policy would determine escalation levels, if any, in local receipts. Initial state aid projections should be initially based on current year amounts and adjusted for economic trends and the fiscal environment on Beacon Hill. By the end of January, a single round of adjustments can be made. The accountant's report showing prior year and six months of current year-to-date revenues can serve as a guide. State aid projections should be adjusted to reflect the recommendation presented in House 1, the Governor's budget (or 1A in the second year of the legislative session). Other adjustments can always be made to account for anticipated changes, spikes or aberrations in revenue sources.

From this point through town meeting, officials can make further adjustments, but should attempt to hold firm on projections which, in a revenue driven process, establish expenditure levels. In particular, passage of the budget should not be delayed while in wait for the final state budget. If less aid than projected results, then budget reductions can be made in a fall town meeting. If more aid than anticipated results, the town should resist increasing expenditures and, instead, appropriate it to stabilization or allow the excess to close to free cash.

RECOMMENDATION 6: FORMALIZE THE BUDGET CALENDAR

We recommend that the town formalize its budget calendar. By agreement between the Finance Committee and the Board of Selectmen, the budget process for FY05 began earlier than in prior years. Based on our interviews, the change has been viewed as an improvement.

We recommend that a formal process be codified. In general, a budget calendar would specify dates for the completion, distribution or receipt of revenue projections, departmental appropriation guidelines and requests, a capital improvement plan, a working budget, a final budget and so forth. It would allow for hearings, reviews and approvals at different levels, and would account for the time needed to print and distribute the warrant. For a typical town, the process should begin in October and end on the date of the annual town meeting.

The process might be agreed upon as a joint policy of the finance committee and the board of selectmen, but ultimately, should be incorporated into a town "budget process" by-law or as a charter provision.

RECOMMENDATION 7: REVIEW AND ADOPT FINANCIAL POLICIES

We recommend that the board of selectmen and the finance committee review and adopt financial policies currently in draft form. The board of selectmen have received in draft form, policies and procedures under which it would operate. Drafts policies have also been completed that address overall financial management including reserve guidelines, debt management, and investments. We encourage the board of selectmen and the finance committee to review, modify where appropriate, and jointly and formally adopt these draft policies. Implicit with formal approval would be a commitment to seek guidance from and manage the town's fiscal affairs, as near as possible, in accordance with the terms of the policies.

RECOMMENDATION 8: CREATE FORMULA FOR PILOTS

We recommend that the board of selectmen and the Groton municipal light department agree on a formula as the basis for determining the department's annual payment to the town in lieu of taxes. Municipal light departments have taken on a hybrid character as the courts and other legal opinion have interpreted their place in government. In some respects, they behave and are treated like town departments (i.e., revenues are turned-over to the treasurer; expenditures are authorized through the town warrant), but in other respects they operate with greater independence (i.e., the light department budget is not subject to town meeting approval).

As a by-product of its autonomy, the Groton municipal light department makes annual payments in lieu of taxes to the town for the town-owned property it occupies. However, there is no agreed upon mechanism for establishing the annual payment. We recommend that the appropriate town officers, including the accountant and assistant assessor, work with the municipal light department to arrive at a formula for setting the annual payment. The formula should have long-term applicability in a way that produces a fair and consistent annual payment. Relevant factors might include, among others, the relative tax burden on other commercial and residential taxpayers, and the value of time spent by town personnel on light department business.

The same approach might be taken in establishing a mutually agreed upon basis for payments in lieu of taxes made annually by the Groton School, Lawrence Academy, the Baptist camp, and the MIT/Lincoln Labs.

RECOMMENDATION 9: PLAN FOR A SELF-SUFFICIENT GROTON COUNTRY CLUB

We recommend that the town together with the Groton Country Club Authority members set the goal and arrive at a plan to make the golf course a self-sufficient operation. In effect, the town subsidizes the operation of the Groton Country Club. It makes annual debt service payments on the purchase of the golf course (\$143,905 for FY05) in return for an annual lease payment (\$70,000 each year). As an independent authority and a revenue generating enterprise, there is

good argument that the Groton Country Club should operate on a self-sufficient basis. Reasons for the club's difficulties in raising revenue, as well as ideas to generate additional income have been voiced, but it's unclear what action has been taken. We suggest that it is time for the town and club management to put together a formal plan for the Groton Country Club to reach self sufficiency, including relief to the town of its debt service prior to 2010, when the current note matures.

Computers and Technology

The town engaged its first information technology (IT) person, on a part time basis, in November 2003. At 20 hours a week, he is working his way down a priority list of tasks developed by the town's computer committee. The bulk of his time is currently devoted to upgrading system-wide anti-virus protection, but with the acquisition of a new town hall server, he has begun to shift his time to conversion and network related issues. In general, priorities are designed to address system-wide improvements, expand network capability and to facilitate the exchange of information among departments through shared drives. Inevitably, the IT person also responds to the ad hoc computer and technology needs of town hall departments.

The town also receives significant benefit from volunteer members of the computer committee. With exceptionally strong backgrounds, individual members contribute a combined 30-40 hours per week of their technology expertise to the town above and beyond time devoted by the paid professional.

Among its areas of involvement, the computer committee maintains and updates the town's inventory of computers, and funds a replacement program through its budget. Committee members work with department heads on the timing of hardware, investigate pricing and ultimately sign-off on purchases. Software decisions, however, are made by departments with limited committee input. The committee directed the expansion of internet access and email capability to virtually all town departments and has orchestrated the development of internet and email policies.

Through the GIS steering committee, the town has worked with an outside contractor to develop a geographical information system (GIS). Through a website committee, the town maintains an up-to-date, user-friendly, on-line presence for the benefit of residents and others seeking information about the town.

Moving forward, the computer committee expects to upgrade the town's 65 or so workstations to Windows 2000 or XP. Plans are being discussed to survey town hall staff to establish a measure of computer and software proficiency, and to encourage greater participation by departments to identify and communicate their needs to the town's IT person and computer committee. Recommendations on staff training would likely follow. Efforts are underway as well to explore how departments would envision using GIS when management of the GIS system is ultimately transferred from an outside vendor into town hall.

Overall, the technology-related committees function as important resources for the town. However, the volunteer time devoted by committee members speaks to the high level of need that exists. In the future, the town should expect the demands on an IT person to increase as the town seeks greater efficiencies and as staff become more aware of the potential that computers and software offer. Through this evolution, the town should realistically analyze

whether the same level of volunteer involvement that now exists will continue, and if less is indicated, whether appropriate budgeting may be necessary to fill the need.

RECOMMENDATION 10: PLAN FOR A FULL-TIME TECHNOLOGY POSITION

We recommend that the town establish a timetable for expanding the IT responsibilities to a full-time position. Between paid and volunteer time, at least 50-to-60 hours a week are devoted to the technology needs of the town. Even at this level, the town should expect demand to increase over time as advances are made in electronic communication and in the exchange of information with and between governments. It should not, however, plan on the same degree of cost savings through the work of volunteers in technology areas. Thinking about the future, we would predict that not only will the town need to, it will want to, expand its technology capability and support resources. Therefore, we recommend the town consider when this transition can take place and to budget appropriately.

RECOMMENDATION 11: EXPLORE WAYS TO ENHANCE TRAINING

We recommend the computer committee move forward with its plans to survey town hall employees to measure computer proficiency. Even in the absence of a full-time technology person, an initiative can be taken to identify computer proficiency levels among staff. Information gathering can be formal or informal by the IT person or computer committee members as they address office issues. As an alternative, a small working group might be formed to do the same. In either event, goals might explore how technology can eliminate manual data entry and reduce paper records and redundancies through interviews with various office staff. In the long run, the town might look to develop an on-going training program to encourage computer usage, maintain proficiency levels among users, more effectively familiarize people with the software they use, and to create efficiencies in time and money.

RECOMMENDATION 12: CENTRALIZE TECHNOLOGY DECISIONS

We recommend that the IT person and the Computer Committee have a more central role in technology decisions. The computer committee has wide-ranging responsibilities as set-out on the town's web site, but its relationship with town departments appears less clearly defined. In particular, it is our understanding that departments act independently in the selection of software. While end-user input is critical to software choices, early participation by technology advisors is equally important. Ideally, software as well as hardware purchasing decisions would be part of a long term capital plan for upgrades. On a broader basis, a member of the computer committee should be involved in all discussions where technology might intersect with changes in fiscal procedures. Insight into how modifications or additions in one area can affect another area of operation can be instrumental in avoiding costly mistakes, or creating meaningful efficiencies.

Tax Collector/Treasurer

Following six years as a treasurer/collector in Hopedale and in Shirley, the current Tax Collector/Treasurer became Groton's first appointed, rather than elected, tax collector/treasurer in May 2001. Office staff includes a full-time assistant tax collector/treasurer who has five years experience and a full-time treasurer's assistant with 14 years of experience in the office. The 19-hour per week collections clerk began in May 2003. Staff have individual responsibilities based on four-year old job descriptions, but are all cross-trained and, in particular, assist with collections during heavy payment periods.

The office collects taxes for approximately 4,300± real property parcels and only 42 personal property accounts on a quarterly basis. Around 50 percent of the payments are received from third party institutional payers which allows payment information to be electronically uploaded to the collector's accounts receivable software. The remaining payments are received over-the-counter or by mail. Motor vehicle excise bills total around 15,000± annually, the bulk of which are mailed in January and received in the collector's office. About 2,000± water bills and 450± sewer bills are mailed and returned to the town's water/sewer department each quarter which then turns over receipts to the treasurer. The municipal light department sends its own monthly bills and turns-over collections to the treasurer. (Water services and separate billing services are also provided by the West Groton Water Department which is not a town entity).

In virtually all respects, the treasurer/collector and her staff are efficient and effective in fulfilling the requisite duties of the office. As required, the collector maintains an accurate and up-to-date receivable control, completes monthly reconciliations internally and then externally with the accountant to provide a reliable statement of outstanding taxes, excises and charges owed to the town. The collector has implemented an effective program that is quick to move delinquent properties into tax title and to the treasurer. Credit reports are run each spring and research is completed to confirm legitimate tax refunds due to residents. In accordance with state law, the office responds to requests for municipal lien certificates within ten days.

During billing periods, the office has established procedures to receive and batch payments which are then posted to the Point software. In order to reduce the occurrence of duplicate payments and subsequent refunds, posting is completed before receipts are deposited. Generally, deposits are delayed no more than a day and are made directly into the treasurer's cash account. The collector's turnover, or report to the treasurer of cash receipts, is regularly conveyed to the treasurer's side of the operation.

Among treasurer-related functions, the office receives as turnovers and efficiently processes all monies collected by other town departments, including water, sewer and light department receipts. Town funds are invested, debt is managed and cash flow is monitored to retain sufficient balances to cover town obligations as directed by vendor and payroll warrants. Both the treasurer and the accountant use the MIP software application, so monies turned over to the

treasurer are entered into the software on a weekly basis and are available for review by the accountant before being posted.

The tax collector/treasurer has a contractual arrangement with a Deputy Collector (Kelley & Ryan) to pursue motor vehicle and parking ticket delinquencies. The relationship is documented by a one-page statement that seems to serve more as an acknowledgement than a definition of contractual terms.

RECOMMENDATION 13: REVIEW RELATIONSHIP WITH DEPUTY COLLECTOR

We recommend that the treasurer/collector review the present town relationship with the town's deputy collector to ensure compliance with state requirements. Under DOR regulations, deputy collectors are held to standards and requirements relative to the custodial care and turnover of town funds (DOR Informational Guideline Release 90-219 at www.dls.state.ma.us under IGRs). Specifically, delinquent payments, including fees and charges received by the deputy collector must be deposited in a bank account held jointly with the tax collector, or turned-over immediately to the town treasurer. The deputy collector receives fees in the first instance by way of a check drawn on the account and co-signed by both parties. Where collections are turned over to the town treasurer, the deputy collector is paid through the warrant process. In any event, the deputy collector is required to make frequent turnovers and detailed reports to the town, as well as conform to other requirements. For instance, the tax collector should also verify that interest payments continue to accrue on delinquent accounts after they have been "marked" at the registry of deeds.

RECOMMENDATION 14: CONSIDER A LOCKBOX WITH TOWN COLLECTOR

We recommend that if the town expands the tax collector's responsibilities to those of a town collector, then it should consider engaging a lockbox service. A primary reason for establishing a town collector position is to avoid the present circumstance in Groton where the water, sewer and municipal light departments commit, then also collect payments for charges. Separating the two functions creates a check and balance where it doesn't now exist. At the same time, the volume of work would increase in the collector's office. It would be receive payments for water, sewer and municipal light charges in addition to tax and excise payments.

To offset this increase in volume, the town might consider engaging a lockbox service. Under a lockbox system, residents would receive return envelopes with the particular bill directing payment to a post office box number where the lockbox service is located. The envelopes would be opened, payments would be processed, deposited and accounted for in a daily report to the collector. Because the report is typically in electronic form, the payment information can be uploaded into the Point software automatically. The charge for the service is usually off-set by the value of staff time which is freed-up.

Assessors

Under the Groton by-laws, three members are elected to a part-time board of assessors, for staggered, three-year terms. At present, one member has 19 years on the board while the remaining two members have two and three years, respectively. The current assistant assessor has held the position for two years after having served in a similar position in the town of Carlisle for eight years. She functions as the full-time department head, directs the day-to-day activities of the office and is accountable to the board of assessors. Two staff members are under the authority of the board of selectmen. A 34-hour per week clerk and an 18-hour per week clerk arrived from the private sector to work in the office two weeks apart about 14 months ago. Neither had prior municipal experience. Each is cross trained and also has individual responsibility to complete regular office tasks. Both have completed the DOR assessor's 101 training course.

The volume of activity for Groton assessors involves 4,300± total property accounts. Of the town's total assessed value in FY03, approximately 95 percent was attributable to residential properties and 5 percent to commercial, industrial and personal property. Real estate transactions typically range between 350-400 sales per year and building permits average 400 annually. The Assessor's office commits approximately 15,000 motor vehicle excise bills annually and processes all abatement and exemption applications.

As required, the assessors' office completes the work necessary to value all the town's real and personal property and assign the tax obligation of property owners. It generates the property tax and motor vehicle commitments to allow timely billing. To ensure that residents are taxed equitably and accurately properties are continually inspected. Office staff update property records and town maps, and track exemptions and abatements that are issued. The assessors estimate new growth, recommend the annual overlay, and provide other assessed value information for use in the Recap Sheet which is submitted to DOR to receive approval of the local tax rate.

The office utilizes Patriot appraisal software to maintain property records and has a contract with the company to perform a full range of services. However, assessing department staff are completing an increasing number of valuation related tasks in-house. To assist Patriot inspectors, the office collects building permit information from a shared drive with the building department and pulls corresponding field cards from its files for use during property visits. The assistant assessor inspects new construction properties and staff key-enters data from all inspections into the software system. To compliment information collected by Patriot, the assistance assessor also returns to certain properties when an occupancy permit is issued.

The office sends out sale questionnaires to all new property owners and the assistant assessor conducts drive-by inspections year-round. Interim property value adjustments, as well as new growth estimates were completed in-house for the first time for FY03 with the intent to continue

the practice in the future. Data collected during these inspections will also be expanded so that they might be counted toward the completion of the town's cyclical inspection program. The last full cyclical inspection was completed in 2002 by Patriot. Under its current three-year, \$20,000 per year contract, Patriot is also obligated to conduct a town-wide revaluation for FY05. However, there is discussion whether to bring this function in-house as well after FY05.

Overall and despite the lack of municipal experience, the assessing office staff understand office functions and carry out their duties well. The assistant assessor appears to have the knowledge, drawn from prior experience, to take on responsibilities that are currently contracted-out. This is a frequent trend among communities with professional, day-to-day administrators and a positive direction for the assessing office. In this context, we offer the following recommendations.

RECOMMENDATION 15: DISCONTINUE MAINTENANCE OF MANUAL RECORD

We recommend that the assistant assessor convert her manual records to an Excel spreadsheet. The assistant assessor currently maintains a manual record of information relating to abatements, new growth, etc. She makes a persuasive argument about the practical every day value of the information. We recommend that she duplicate the record on an Excel spreadsheet so that it is electronically stored and immediately available to other members of the staff.

RECOMMENDATION 16: LIMIT DEEDS SENT TO OUTSIDE ENGINEERING FIRM; CONSIDER A RECORD DISPOSITION PROGRAM

We recommend that only deeds involving lot splits be sent to the outside engineering firm and that the office determine whether a record disposition program is warranted. When the assessors' office receives deeds from the registry each month, staff are quick to update property cards with new owner information. The deeds are then accumulated and, once a year, all are forwarded to Cartographics, the town's engineering firm. We suggest that only deeds that involve lot splits and corresponding map updates be sent to the outside engineering firm.

The office also retains copies of deeds dating back to 1974. State rules on the disposition of public records allows the destruction of deeds and deed abstracts "after use" and upon permission of the supervisor of public records. The assessors should consider the purpose and need to retain deeds, how frequently the records accessed, the amount of space they consume, as well as other factors to determine whether retention is justified.

RECOMMENDATION 17: SEND ADDRESS AND MAP/LOT CHANGES TO COLLECTOR

We recommend that the assessors' office regularly inform the collector of changes in property owner information and map and lot designations. It is our understanding that the Patriot

software has the capability to generate a report of changes in property information entered over a specified period. This or a similar report would be of value to the collector to insure that payments received are posted to the correct owner account.

RECOMMENDATION 18: EXPAND BUILDING PERMIT INSPECTIONS

We recommend that building permit inspections be expanded to be counted toward the cyclical inspection program. To ensure that all town property records are updated at least every ten years, assessors inspect and measure the improvements on each parcel of land within the town. Through the course of the year, sale properties and those subject to building permits are also inspected. To avoid multiple visits and to advance the cyclical inspection program, we recommend that the building permit inspection, in particular, include the entire property and a measurement of on-site improvements.

RECOMMENDATION 19: INCREASE STAFF TRAINING ON PATRIOT SOFTWARE

We recommend that the town continue to commit resources to increase assessors' staff training on Patriot. The trend among Massachusetts assessors' offices is toward more professionalized staff and the completion of tasks in-house. Those same discussions are taking place among Groton's Board of Assessors and assistant assessor. In this instance, the assistant assessor has prior experience completing some of the work now contracted out to Patriot. However, the prospects of success in bringing additional work in-house may increase substantially, if the assistant assessor and staff received more training on the Patriot software.

RECOMMENDATION 20: RETAIN COPIES OF RECEIPTS

We recommend that the assessors' office retain copies of receipts given to residents for cash received. When the assessors' office receives cash payments, typically in small amounts, for copies of maps, field cards, deeds, etc., a receipt is given to the purchaser. The cash is placed in a cash box, but no receipt or other accounting of the payment is included. It's our understanding that \$50, \$100 or as much as \$200 can accumulate in the lock box. Given these amounts, the use of a receipt pad, with a carbon or other copy mechanism, would be worthwhile to provide a check and balance on amounts collected and to provide protection for the assessors' staff. Under any circumstance, turnover of cash to the treasurer should occur at least weekly, and the treasurer's acknowledgement of cash received should be reconciled against the office copies of customer receipts for the same time period.

Accountant

The present town accountant entered the Groton position in November 2002 after having previously served as chief financial officer in an extended care facility for children . She is also a former member of the Groton Finance Committee. She is assisted by a 25-hour assistant town accountant with six years of experience in the office.

The town accountant has very specific statutory responsibilities in the oversight of town finances. In virtually all respects, the accountant and assistant town accountant are diligent and successful in fulfilling the requisite tasks of the office in a timely fashion.

In alternating weeks, vender and payroll warrant are prepared and confirmation is completed that money is available to make payments, that the purpose of an expenditure is within the intent of the appropriation account to be charged and that no fraud is evident. The office maintains an up-to-date and accurate general ledger together with subsidiary ledgers to create a paper trail of municipal receipts and expenditures. In Groton, there is the added responsibility of overseeing various activities of the water and sewer enterprise funds, and the Groton municipal light department, as well as \$11 million in trust funds.

The accountant reconciles cash and receivables with the treasurer/collector on a monthly basis. She maintains a log of town debt, and reconciles her record with the treasurer's debt schedule at least once each year. The office produces an expenditure report every month and tracks the town's liability for accrued employee unused sick leave and vacation time. The Accountant states that she has custody of all town contracts and grants, as required. And, DOR records indicate that the accountant is timely in the preparation and submission of the town's Balance Sheet at year-end and its Schedule A by October 31. Finally, she fulfills her a role, together with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

It is our understanding that working with the computer committee, significant progress has been made in raising the level of technology in the office. As a result, beginning in July 2003, the town's books (general ledger) were converted from a manual system to the MIP software. Excel spreadsheets are more frequently used in the payroll preparation process, to produce trial balances, and other reports.

However, technology issues are primary among those that warrant attention in the accountant's office together with personnel and payroll matters. Our recommendations concerning personnel practices are included earlier in the Overall Financial Management section of this report. Here, we devote greater attention to technology and payroll issues.

RECOMMENDATION 21: REVIEW OFFICE TECHNOLOGY

We recommend the a priority be placed on reviewing the use of technology in relation to the payroll process. Between the time employee timesheets are received in the accountant's office and the payroll warrant is approved by the selectmen, the same data is separately entered five times in three different software applications. Time sheet data is entered into an Excel spreadsheet by individual, into an Excel spreadsheet by account, into the accountant's MIP software, into an Excel spreadsheet for the purposes of tracking sick leave and vacation time, and in the Harper's payroll software by a treasurer's office clerk.

Part of this redundancy is caused by the earned-time rules which grant a full day off for each employee when he or she completes 90 days of work without taking a sick day or unapproved vacation day. As best we understand it, the inability of the Harper's payroll application to account for earned time prevents the software from tracking compensated sick leave and vacation time. This deficiency prevents the inclusion of detailed information for the benefit of employees on pay stubs, and forces the assistant town accountant to maintain duplicate records.

The matter of accounting for employee's sick leave and vacation time is further complicated by the limited information received from departments, particularly the police department. Individual, signed timesheets are not presented to the accountant's office, and detail is not provided. Instead, summary sheets are received which have been prepared at the department head level.

Therefore, we recommend the town:

- 1) evaluate the cost and benefits associated with the Harper's payroll service compared to other alternatives, particularly as they relate to tracking earned time, sick leave and vacation time. If the earned time issue is a challenge to all payroll software, the town should consider negotiating a software-compatible alternative under collective bargaining agreements;
- 2) understand the statutory requirements and employee obligations relative to the submission of time sheets, and devise a standardized process equally applicable to all departments;
- 3) explore the cost of the MIP payroll module and the implications of a possible town-wide implementation;
- 4) generally examine ways that data can be imported and exported between the MIP software and Excel, with the goal of reducing redundant data entry.

RECOMMENDATION 22: DEVELOP A RECREATION DEPARTMENT CASH FLOW BUDGET

We recommend that the accountant work with the manager of the recreation department to develop an annual cash flow budget. In response to deficit problems, the expenditures of the recreation program have been incorporated into the town's line-item budget for FY05. In the long term, however, all or most of the program operates best as a revolving fund under MGL Ch. 44, Sec 53D or Sec 53E½. Anticipating a return to revolving fund arrangement in the future, we suggest the accountant work with the recreational program director to establish a cash flow model. In doing so, a clear picture of month-to-month revenue and expenditures can be seen and planned for to avoid the occurrence of deficits.

RECOMMENDATION 23: ADD DETAIL TO PAYROLL WARRANT

We recommend that the town accountant list all employees separately in the payroll warrant with gross salary amounts to be paid. Whether incorporated into the warrant or attached as back-up documentation, payroll detail by employee must be made available to the board of selectmen if it is to fulfill its statutory responsibilities. Specifically, to approve the payroll warrant as required under MGL Ch. 41, §52, selectmen must be able to inspect and view each individual payment, which in this case would, at least, be an employee's name and gross salary. Net salary might also be included, but not individual withholding amounts. The same information must find its way to the treasurer so that checks may be drawn. It's understood and acceptable that outside payroll services are integrated into this process.

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