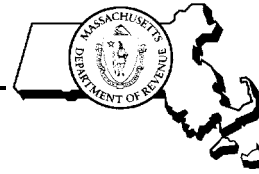


Massachusetts Department of Revenue Division of Local Services
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Town of Hampden

Financial Management Review

September 2006

INTRODUCTION

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

We have based our findings and recommendations on site visits by Municipal Data Management & Technical Assistance Bureau (MDM/TAB), Bureau of Accounts (BOA), and Bureau of Local Assessment (BLA) staff members. During these visits and via telephone, the staff interviewed the selectmen, a member of the board of assessors, and the chair of the advisory committee. DLS staff also interviewed the administrative assistant, town accountant, treasurer, tax collector, and assistant assessor. DLS staff examined such documents as the tax rate recapitulation sheet, town reports, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness and other assorted financial documents.

The purpose of this review is to assist town officials and boards as they evaluate the town's financial management. In reviewing the existing financial management, we have focused on: (1) the town government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication among relevant boards and officials, and (3) the performance of financial operations in such a way as to maximize resources and minimize costs.

The board of selectmen should consider the recommendations contained in this report in formulating overall strategies for improving the town's financial management. Many recommendations in this report can be implemented without a major change in the current structure of town government given sufficient cooperation among town boards and officials.

Overview

The town of Hampden is a residential community on the Connecticut border just southeast of Springfield. Despite its proximity to the city, Hampden has maintained its rural character with a population that has hovered around 5,000 for several years.

The town shares a regional school system with neighboring Wilbraham. Hampden's school district assessment usually consumes approximately two-thirds of the town's annual budget. After this, and other "fixed costs" such as health insurance and retirement are taken into account, there are limited resources available for funding the town's other services and administrative offices.

In July 2005, Hampden received a great deal of publicity when a budget shortfall forced the community to close its public library and senior center, lay off multiple employees, reduce services, and turn off street lights. In a published statement the board of selectmen explained, "The math is simple. Total expenses to run the town and the Hampden-Wilbraham Regional School District have gone up more than 17% over the past three years. Available funds under Proposition 2 1/2, combined with state aid changes have produced increases in revenue of only about 10% during the same time."

The fact that the town's revenue sources have not grown as quickly as its expenses has forced Hampden's leaders and voters to make some difficult decisions. In each of the three years leading up to July 2005, Hampden's voters rejected Proposition 2½ overrides. After each failed override attempt, the selectmen and the advisory board were able to minimize reductions in services by cutting department hours, implementing wage freezes, and drawing down the stabilization fund from about \$170,000 to nearly zero. Then, as fiscal year 2006 approached, the voters were presented with two budgets, one that maintained level services and required passage of a Proposition 2 ½ override, and another that included significant cuts. When the override vote failed, the latter of the two budgets went into effect.

When fiscal year 2007 began in July 2006, a combination of factors, including a greater than expected increase in state aid, a large tax title settlement, and a relatively small snow and ice removal deficit allowed for a limited restoration of some of the cut services. The town has also adopted a more conservative approach to estimating revenues that will help prevent the overstretching of tax dollars in the future. However, with large capital and infrastructure expenses on the horizon, ever-rising fixed costs, and little sign of significantly increasing revenue sources, Hampden's finances remained strained.

With the hope of dispelling any notion that financial mismanagement brought about the budget crisis, and to identify offices and processes that could function more efficiently, the selectmen invited DLS to conduct a thorough review of the town's financial offices and practices. On the whole, we found that Hampden's finances are managed well. The town's

staff and officials, both elected and appointed, are knowledgeable, competent, and experienced.

There are a few areas in which procedural changes could lead to greater efficiency, however, none are of a magnitude that would have averted the FY2006 budget shortfall. In fact, a significant problem that the town's government faces today is how to maintain its high level financial management indefinitely.

The current financial officers, most of whom are elected, work well together and benefit from several years of experience and interoffice processes that have developed over time to incorporate the particular strengths of each individual. This decentralized structure functions well now, but a single retirement or failed reelection bid could upset things dramatically.

Therefore, the recommendations in the report focus on:

- Policy and structural changes that, if implemented over the next few years, will help Hampden prepare for, and deal with sudden changes in its financial situation, and;
- Changes that will produce immediate cost savings and iron out inefficiencies.

Before detailing the specifics of our recommendations, we will first summarize our findings on the town's general financial management and each of the major financial functions.

Summary of Findings and Recommendations

Financial Management Findings

- General Financial Management
- Town Accountant
- Assessors
- Tax Collector
- Treasurer
- Technology

Recommendations

To Ensure Continuity and Prepare for the Future:

1. Create a Town Administrator Position
2. Hold Financial Management Team Meetings
3. Develop Multi-Year Revenue and Expenditure Forecasts
4. Appoint the Treasurer and Tax Collector
5. Establish an Office in Town Hall for the Town Accountant
6. Conduct Regular Performance Evaluations
7. Procedural Manuals for Each Office
8. Consider Adopting a Town Charter

To Gain Efficiencies Through Technology:

9. Establish a Technology Committee
10. Centralize Technology Administration and Budget Under the Town Administrator
11. Make Use of Office E-Mail

To Improve Cash Management:

12. Stop Holding Tax Receipts in the Tax Collector's Bank Account
13. Formalize Policy for Turning Over Funds to the Treasurer
14. Move to a Bi-Weekly Payroll
15. Bond Employees Who Handle Cash
16. Establish Better Controls for Transfer Station Revenue

Financial Management Findings

General Financial Management - Hampden has a three-member board of selectmen. They appoint an administrative assistant and a town accountant who, along with an elected board of assessors, an elected treasurer, and an elected tax collector, manage the various aspects of the community's finances.

The town's bylaws provide for a five member advisory committee that has responsibilities and duties similar to a finance committee in other towns. The advisory committee reviews all proposed town meeting warrants and offers recommendations to the voters.

With input from department heads, financial officers, and the selectmen, the advisory committee puts together the town's annual budget for town meeting approval. They rely heavily on the town accountant who provides initial revenue projections in the autumn and regular updates throughout the budget process. Currently, this works well because the accountant has extensive experience in Hampden and can usually formulate fairly accurate estimates.

Both the advisory committee and the board of selectmen actively participate in regional associations that allow them to interact with their peers in neighboring communities. This collaboration has generated goodwill and shared best practices. It has also led to cost-savings through the formation of a health insurance collaborative.

Hampden has also limited its exposure to rising health insurance costs by setting the town's share of premiums to 50 percent of the most expensive plan offered. Furthermore, only employees and officials who work 20 hours per week or more are allowed to receive the benefit.

As for financial management operations, the various officers are competent and work well together. Processes that require input from more than one office tend to flow smoothly. Submissions to DOR, including the tax rate recapitulation sheet and the Schedule A, are always done in a thorough, complete, and prompt manner.

The town finished FY2005 with negative free cash. This was primarily due to overestimated local receipts. Working with Hampden's BOA representative, the town has since devised and implemented a more conservative method of estimating local receipts. This will help prevent the overstretching of tax dollars, and should generate free cash in future years.

Most of the officers are independently elected. Therefore, successful interoffice coordination depends on the willingness and ability of each officer to accommodate and assist the others. The lack of a central authority also means that each of the elected offices is

responsible for ensuring the continuity of their processes and information whenever positions turnover.

The longevity of key personnel, especially the town accountant, has kept this from becoming a major problem so far. As a result, the selectmen and advisory committee receive timely and accurate financial information on a regular basis and the financial offices function well. Moving forward, a more centralized structure would be better able to absorb unplanned for events and sudden changes in personnel. The first group of recommendations in this report focuses on this.

Without a town administrator, the selectmen manage the town's day-to-day business. They have an administrative assistant who serves as a point of contact for residents and officials. However, she does not have the authority or expertise to make financial management decisions. One of the current selectmen is able to spend a considerable amount of time in town hall. He is very involved in coordinating the work of the offices and in the tracking and guiding of policy and operational management. However, without the ratification of the other two selectmen, he cannot take major initiatives or implement management decisions. Therefore, responses to inquiries and other important actions are held off until the next select board meeting.

Another significant hurdle faced by Hampden is the fact that the town accountant and the treasurer work part-time schedules that do not frequently overlap. The accountant is generally in the town hall during the morning hours, and the treasurer arrives in the afternoon. While their schedules are adequate to complete their duties, the lack of face-to-face interaction has led to occasional miscommunications and delays between the two and other town officers.

Town Accountant - The town accountant has served part-time in this position for more than 30 years. While he does not maintain an office in town hall, he effectively fulfills his legal obligation to oversee all town financial activity. He maintains independent records on his home computer and follows well-defined procedures that document the flow of money into and out of municipal accounts. He prepares warrants and maintains a general ledger where receipts, expenditures and all other town financial activity are recorded. He reconciles cash on a monthly basis against a report provided by the treasurer. He does the same for the tax collector's receivables every three months. He produces a monthly expenditure report against which department heads reconcile their accounts, and if needed, communicate mispostings.

The accountant is always timely in submitting the town's annual Schedule A by October 31 and its year-end Balance Sheet (for Free Cash certification). In fact, he is often among the first in the state to file these with DOR. He also works effectively with the

assessors and town clerk in the preparation of the town's Tax Recap Sheet. The town was the first among 351 communities to receive tax rate approval for FY06.

As a result of his experience and in depth knowledge of the town's finances, many aspects of his role have evolved into those of a de facto finance director. He is heavily involved in the annual budget preparation, he takes the lead in estimating revenues and local receipts, and most recently, he guided the process of finding and purchasing a new financial software system. Hampden is fortunate to have an accountant who can manage with a global perspective. However, he has expressed his intentions to retire within the next few years. This will leave a void that a typical town accountant alone will not necessarily fill. If implemented, our long-term recommendations will help develop a financial management structure that will improve the town's ability to maintain the flow and continuity of business when such important positions turnover.

Assessors - The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect real estate taxes, motor vehicle and boat excise payments.

Hampden's three-member board of assessors relies heavily on an appointed assistant for the day-to-day business of their office, and an outside consultant for fieldwork and technical analysis. The board works with the assistant and the consultant to estimate new growth, recommend the annual overlay, and provide information for use in the tax recap sheet submitted to DOR. They also meet on an as-needed basis to review their work and act on applications for abatements.

The town's BLA representative reports that the current structure of the office functions very well. The board maintains an appropriate level of oversight and direction while refraining from micromanaging their highly capable assistant.

The town recently adopted an assessors' stabilization fund. This proactive step will allow the assessors to put aside funds each year to spread out the cost of its triennial revaluations rather than having the office's expenses spike every three years. The office is open to the public two mornings per week. It used to be open more often but budget cuts forced a reduction in the assistant assessor's hours. In order to complete all of her duties, she officially closes the office for all but seven of her 20 hours per week. The assessors are currently exploring the option of offering on-line access to the town's property records. This would allow residents and other interested parties to obtain the information they need without calling or visiting the already busy office.

Tax Collector - The tax collector was elected five years ago. She is also the town clerk. While the positions are not officially combined, the town has historically elected the same

person to fill both roles. She has two part-time assistants who are trained to cover both the collector and clerk functions of the office.

The tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. The collector's office prints and issues approximately 2,200 real estate tax bills and 200 personal property tax bills each quarter. A deputy collector issues the town's motor vehicle excise taxes. Hampden taxpayers now have the option of paying excise, personal property, and real estate taxes on-line through the town's Internet website.

Collections are counted and posted to taxpayer accounts about twice per week, and deposited at least weekly. As payments are received, the collector deposits them to a collector's bank account. She holds the money in this account until the checks clear and then she turns it over to the treasurer. At times, the turnovers take place weeks after the taxes are paid. This prevents the treasurer from having access to a significant portion of the town's cash. It also makes it difficult to track and forecast the overall cash flow. One of our recommendations addresses this.

Delinquent accounts are pursued and then moved efficiently into the treasurer's tax title accounts. The collector maintains an up-to-date receivable control that is reconciled with the accountant every few months. In accordance with state law, the office responds to requests for municipal lien certificates promptly.

Treasurer - Hampden's treasurer was elected in May 2004. The treasurer is the community's cash manager and, as such, has custody of all municipal money. Pursuant to these responsibilities, the Hampden treasurer is appropriately quick to deposit into town accounts money collected by other town departments and turned over to her. She invests town funds, monitors cash flow needs, and pays town obligations on presentation of a signed warrant by the selectmen. She also manages the town's payroll and benefits administration.

The treasurer maintains the town's tax title program. Due to the fact that she actively addresses all of these delinquent accounts, the list of properties in tax title is kept to a minimum.

While she is prompt in depositing money that she receives, the process by which other departments turn over money to her could be improved. Most departments make turnovers relatively quickly upon receipt of the money, but some wait for days or weeks. Furthermore, the treasurer receives both her copy and the accountant's copy of the turnover sheets. For the sake of internal control, town accountants should receive their copy directly from the department rather than through the treasurer. One of the recommendations of this report will address this issue.

Technology – Each of Hampden’s financial offices is equipped with stand-alone personal computers. The town hall does not have a server, but the PCs are connected via peer-to-peer networks. The lack of a server means that all of the town’s electronic data is stored on individual hard drives. Therefore, each office is responsible for ensuring the information on their PCs is backed-up on a regular basis.

The town is in the process of purchasing new financial management software for the accountant and treasurer with the intention of having it installed by the end of September. The tax collector switched to a different software package about a year ago. The assessors’ office also switched to yet another new system about a year ago. So far, the offices have been able to adequately integrate their various systems. However, each change involves a learning curve as well as adjustment and technical support. The recommendations in this report suggest a more coordinated and unified approach to meeting the town’s technology needs.

Recommendations to Ensure Continuity and Prepare for the Future:**Recommendation 1: Create a Town Administrator Position**

We recommend adopting a by-law to establish the position of town administrator.

The town can do this under M.G.L., c. 41, §23A.

Missing in Hampden's government is the essential ability of one person to execute town goals, to take initiatives to improve operations and to establish clarity of expectations in the day-to-day administration of town business. The selectmen try to make themselves available in town hall as often as possible, but as a three member board, reaching consensus on every decision is time-consuming and inefficient.

The town administrator 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 the financial management team. Working with the advisory committee, he or she should orchestrate analyses of financial data, coordinate long-range revenue and expenditure forecasting, and oversee fiscal procedures. While the town accountant partially fills this role today, it will most likely be deemed beyond the scope of responsibility for future accountants.

A town administrator would help the selectmen advance community goals by providing in-depth information that allows the board to elevate the level of their discussions around key policy points. With major issues approaching, like the possibility of a new high school and an estimated \$4 million in needed highway projects, a town administrator would be able to focus on providing thorough analytical support, research, and coordination that will let the selectmen make highly informed decisions. With the support of the financial officers, the administrator could also work with the advisory committee to craft a long-term plan to rebuild the town's financial reserves. He or she could also spearhead the town's effort to apply for grant funding, and investigate ways to deal with budget constraints.

Hesitation in taking this step is understandable for a town that already faces major budget constraints. One option would be to explore the possibility of engaging the services of a part-time town administrator who would work in town hall two or three days each week. The staff would benefit from the town hall presence of a person who can resolve issues, make decisions on initiatives and follow-through on directives from the selectmen. The selectmen would benefit by gaining a manager who can focus on sorting through a myriad of issues to ensure that the policies of the town are as efficient and well informed as possible. Whether part-time, or full-time, the town as a whole will benefit by placing responsibility to oversee its \$9 million enterprise squarely in the hands of a professional hired for that purpose.

Adopting a by-law to establish this position will codify these roles and responsibilities. The process of creating the by-law will require widespread cooperation and support because it will be voted on at town meeting. The result will be a higher level of institutionalized

continuity for the position as well as the overall management of Hampden's finances. A codified job description will also make it easier to attract qualified applicants because the scope of the role will be clear and the continuation of the position from year to year will be more reliable.

Recommendation 2: Hold Financial Management Team Meetings

We recommend holding financial management team meetings on a regular basis. They should include the town accountant, the tax collector, the treasurer, the assessors' assistant, and eventually a town administrator. They should occur at least monthly and be chaired by the town administrator.

These meetings will establish a structured approach to ensuring that the offices are communicating and cooperating with each other. In the long-term, it will help by setting up a sustainable structure that improves the odds of maintaining the continuity of processes and systems.

Holding regular, face-to-face meetings is especially important in a town that has part-time financial officials. They strengthen the lines of communication between the offices and provide a forum at which officers can raise and resolve issues and concerns. Furthermore, the members will become more aware of how each office is dependent on the performance of the others.

Most importantly for Hampden, the financial management team would ensure institutional continuity when officers leave. By participating in general financial and budget activities the team will ensure that more than one person knows all facets that need to be gathered, analyzed, and monitored continually.

The team will be actively involved in the budget process. They will develop revenue estimates, ensuring they are reliable and updated periodically as new information becomes available. The team will ensure that all of the department heads understand the budget process and are able to provide accurate spending projections.

Collectively, this committee should review financial documents (e.g., revenue and expenditure reports, balance sheet, audits, and the tax recapitulation sheet) for completeness and accuracy. This information will provide a comprehensive picture of the town's financial health at any point in time.

Recommendation 3: Develop Multi-Year Revenue and Expenditure Forecasts

We recommend that the town administrator, in coordination with the financial management team, develop multi-year revenue and expenditure forecasts.

No forecast will be perfectly accurate but it will serve as a basis for discussion and planning. It will allow the selectmen and the advisory committee to focus on future events and anticipate how they will impact the town's financial stability.

DLS offers a free forecasting tool that can be downloaded off the Internet at www.dls.state.ma.us. The tool draws the town's historical data from DOR databases and presents it in an organized way. It then offers a structured method for developing a multi-year forecast. Such a tool would help the town administrator analyze the impact of different contingencies such as changes in the school assessment, the impact of additional debt service, or the passage of a Proposition 2 ½ override.

Recommendation 4: Appoint Treasurer and Tax Collector

We recommend that the town convert the treasurer and collector to appointed positions that report to the town administrator. The current treasurer and collector are capable and effective. However, in a town of Hampden's size, the likelihood of always electing such qualified candidates is slim, especially as municipal finance regulations become more and more technically complex.

Many communities across the commonwealth have been moving in this direction. The prevailing belief is that policy making officials and boards should be elected, but operational positions, where a certain skill set is required, such as treasurer, collector, accountant, etc., should be appointed. Appointing these positions also helps to ensure that the office holders possess the experience and qualifications to best execute their duties. Especially important for a small town, this change allows for a larger pool of candidates. When it comes to the important matter of managing tax dollars, Hampden should not be limited to only considering people who live in town and are willing to campaign for office.

In addition, placing these two jobs under the authority of the town administrator will make the town's overall financial management less fragmented and easier to coordinate. It will centralize most of Hampden's fiscal functions and improve the continuity of business over time.

Under the provisions of M.G.L. c. 41 §1B, the treasurer and collector can be made appointed positions by majority vote of town meeting and subsequent acceptance by the voters at a town election.

In the long-term, we recommend that the offices of treasurer and collector be combined. The most significant benefit of this would be to attract highly qualified candidates when the current incumbents move on. Rather than having two part-time officials, there would be one full-time treasurer/collector. Therefore, the town would be able

to offer a higher level of compensation, including fringe benefits, to this department head, and still have the option of hiring part-time assistants.

Because of the parallels in the responsibilities of the treasurer and collector, many communities find that having the duties combined in one office generates cost savings in terms of personnel and cash management. Cities and towns have concluded that having receipts collected, counted, posted, deposited and managed in the same office makes organizational sense.

Hampden's collector's office has traditionally, but not officially been combined with that of the town clerk. If the town eventually merges the collector's and treasurer's functions, the clerk's duties could also be brought into this one office. In that case, the treasurer/collector/clerk would oversee all three areas of responsibility and have assistants to maintain the day-to-day business of each role.

Recommendation 5: Establish an Office for the Town Accountant in Town Hall

We recommend establishing office space for the accountant in town hall. The current accountant prefers to work from home, has done so effectively for many years, and will most likely continue doing so until he retires. Moving forward, future accountants should be encouraged to maintain an office, and significant office hours within town hall.

Interoffice communication is better facilitated when the various offices are located under the same roof. It encourages teamwork and it limits the types of misunderstandings that can arise through brief, sporadic communication. Furthermore, having all of the town's records and documents accessible at a moment's notice will prove important when the financial management team and/or the town administrator need to review or report on financial matters. It also eliminates any risk that may be associated with storing the town's important data on the accountant's private computer.

Recommendation 6: Conduct Regular Performance Evaluations

We recommend that the town implement a performance evaluation process that establishes goals and objectives for each town employee and measures their progress.

A well thought out annual performance review program provides the opportunity to reinforce the hierarchy of government and a chance to clarify job expectations for employees. A performance evaluation program should include guidelines that identify step-by-step procedures for reviewing an employee's work responsibilities, previously established goals and job expectations. There should be agreement on priorities and new goals for the ensuing evaluation period. If implemented in a methodical, even-handed way, regular job performance evaluations elevate employee morale and build resident confidence in government.

At the same time, an evaluation program works best when it is recognized as a two-way process. Employee performance is an obvious focus, but employee opinion and comment during the process can also provide valuable insight to management. Ultimately, the evaluation process can evolve into a collaborative effort leading to improvements in job performance, the operation of government and in work place conditions.

Recommendation 7: Produce Procedural Manuals for Each Office

We recommend developing detailed procedural manuals for each of the main financial functions in Hampden's government. The town has already compiled job descriptions for each office. This helps in ensuring that major responsibilities are being met. The next step should be the listing and detailing of all of the important steps and tasks that each officer and staff member complete on an on-going basis. By documenting the systems and procedures that must be followed to maintain the flow of business, the offices will be better able to deal with the turnover of staff and the training of new employees.

Recommendation 8: Consider Adopting a Town Charter

We recommend moving towards the establishment of a town charter. In its present form, the Hampden 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 a town charter, 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 by-law amendments, a charter has become the preferred vehicle to define the community's organizational structure.

The townspeople can elect a charter commission as the start of a two-year process, or a home rule petition can be submitted to the State Legislature. Both procedures are outlined in MGL Ch. 43B and would involve a process for community input into the development of charter language. In either event, we suggest that a town committee research each path to charter creation, and also provide a framework of charter issues. Its members or a separate study committee can be established to formulate and present a new charter to town meeting and the voters.

Recommendations to Gain Efficiencies Through Technology:

Recommendation 9: Establish a Technology Committee

We recommend the formation of a computer committee that includes users from within town hall and expert volunteers from the community. This is especially important given the upcoming conversion to a new financial software system. The new software will

offer many options to streamline and rearrange the current financial management structure in town. Therefore, there needs to be a plan for not only training the foreseeable users, but also for exploring ways to make full use of the system's potential.

In the future, the committee should plan and oversee computer training, system upgrades, etc. They should also look into issues such as data integrity and emergency planning to make sure information is properly backed-up and retrievable. Finally, they should discuss future purchases and conversions to prepare for integration with existing systems.

Recommendation 10: Centralize Technology Administration and Budget Under the Town Administrator

We recommend treating the technology budget like a department. As such, there should be separate line items for expenses, purchase of services, support contracts and small capital outlays for hardware and software upgrades. Major investments would typically be approved as part of the town's capital improvement program and financed through the issuance of debt. In any event, the budget should combine into one place the technology-related appropriations from all other departments. In this way, an overall technology plan can take shape and total town expenditures toward implementation of that plan will be clear. Also, technology is more likely to receive equal treatment in the process of setting town priorities through the budget.

Placing the management of this budget under the town administrator will ensure that future purchases and conversions are based on the needs and resources of the entire organization, rather than on one or two specific offices. As a member of the technology committee, the administrator will be able to incorporate the input and advice of the system users.

Recommendation 11: Make Use of Office E-mail

We recommend that all of the offices make a regular habit of using their E-mail accounts. The town has E-mail addresses for each of the financial offices. However, even some of the more computer savvy officers rarely make use of it. In an organization with irregular hours, and employees who may not see each other for weeks, E-mail would be an effective way to improve the consistency and timeliness of communication. It improves accountability in that there is a "paper trail," as opposed to telephone messages that can be lost, misinterpreted, or ignored. It also ensures that everyone receives important bulletins and announcements from DOR and other agencies, organizations, and communities. Finally, now that the E-mail addresses exist, and are posted on the town's website, residents and other

individuals will assume they are being checked regularly. Their inquiries and requests need to be responded to just as if they were phone calls or traditional letters.

Recommendations to Improve Cash Management:**Recommendation 12: Stop Holding Tax Receipts in the Tax Collector's Bank Account**

We recommend that the tax collector deposit receipts directly into the treasurer's bank account. When the collector receives tax dollars, those funds should become part of the town's general cash flow with minimal delay. With an annual tax levy of \$7.3 million, the tax collector may accumulate hundreds of thousands of dollars in her account and hold it there for days or weeks before making a turnover to the treasurer. Even if the collector's account earns a competitive interest rate, this practice is inadvisable.

The current system sacrifices timeliness for accuracy. The collector holds the receipts to make sure that all of the checks clear and the amount that she reports to the treasurer with the turnover is final. However, the occasional bounced check is not worth delaying all of the tax payments. Furthermore, the treasurer is responsible for managing all of the town's cash. If she does not have immediate access to, or complete knowledge of large portions of that cash, she cannot develop and implement the most efficient cash budgeting and investing strategies.

Recommendation 13: Formalize Policy for Turning Over Funds to the Treasurer

We recommend that the treasurer establish a turnover policy that ensures timeliness and consistency. Currently, most department heads that turn money over to the treasurer do so fairly promptly. However, funds that should be in the treasurer's possession are occasionally held for longer stretches of time. An efficient turnover policy would require that all receipts be given to the treasurer within one week of collection. Furthermore, whenever money is turned over to the treasurer, the office making the turnover should give a copy of the accompanying documentation directly to the accountant. Then, at the end of the month, the accountant can tabulate all of the turnover reports that he received and reconcile that against what the treasurer reports to him.

Recommendation 14: Move to a Bi-Weekly Payroll

We recommend shifting from a weekly to bi-weekly payroll. The town uses an outside vendor to print and issue about 50 paychecks every week. This service costs about \$90 per week. Therefore, moving to a bi-weekly pay period would save the town at least \$2,340 per year. Moreover, it will reduce the workload in the treasurer's and town accountant's office, freeing time for the completion of other important tasks. Any adjustment to pay periods will require collective bargaining and therefore the additional support of town and union leaders.

Recommendation 15: Bond Employees Who Handle Cash

We recommend ensuring that all employees who regularly handle significant amounts of cash be bonded. During our interviews we found that the tax collector's assistants were not bonded. This could have potentially opened the town to unnecessary risk. To her credit, the collector immediately addressed the oversight. The town should review which employees handle money and ensure that they are all properly bonded.

Recommendation 16: Establish Better Controls for Transfer Station Related Revenue

We recommend establishing better control over, and more formal accounting of the sale of transfer station bags and stickers. We found that the procedures used by the board of health to sell the stickers and bags related to using the transfer station do not adequately minimize risk. With revenues approaching \$90,000 per year, this function should be accounted for in a more formal manner.

The stickers should be numbered and the trash bags, which are the primary source of revenue, need to be inventoried. This way, the board of health will be able to verify the number of bags and stickers sold and reconcile that against the money collected. They will also be able to track how many bags remain in inventory to prevent loss.

Furthermore, we recommend changing the arrangement that the town has with the local businesses that sell the bags. Currently, the businesses sell them as a convenience to the town and customers. They do not generate a direct profit. Therefore, the town does not ask for payment up-front when a business replenishes its bag supply. This makes it difficult for the town to track the number of bags sold or outstanding.

A simpler, more efficient, and more precise method would be for the town to sell the bags to the businesses at a slight discount. The businesses would then keep the difference when they resell the bags. Thus, the town's burden and responsibility for tracking the bags and the revenue generated would end as soon as they are sold to the business.

Acknowledgements

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Richard Green, Selectman

Pamela Courtney, Administrative Assistant

Kathy Pessolano, Chair, Advisory Committee

Diane Hildreth, Chair, Board of Assessors

Clifford Bombard, Town Accountant

Ann Murphy, Assistant to the Assessors

Tracy Scibaldi, Treasurer

Eva Wiseman, Tax Collector & Town Clerk

Patricia Smith, Assistant to the Town Clerk and Treasurer

Jan Budynkiewicz, Assistant to the Board of Health