



Town of Hatfield

Financial Management Review

Division of Local Services / Technical Assistance Section

January 2011

Massachusetts Department of Revenue
Navjeet K. Bal, Commissioner

Division of Local Services
Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



January 20, 2011

Board of Selectmen
Hatfield Town Hall
59 Main Street
Hatfield, MA 01805

Dear Board Members:

It is with pleasure that I transmit to you the enclosed Financial Management Review completed by the Division of Local Services for the Town of Hatfield. It is our hope that the information presented in this report will assist the town in improving its financial management practices, addressing areas of concern and meeting its long-term planning needs.

As a routine practice, we will post the completed report on-line at the DLS website within a week or two. Also, we will forward a copy of the report to the town's state senator and representative.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us

Sincerely,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

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 Hatfield.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Technical Assistance Section, Bureau of Accounts, and Bureau of Local Assessment. During these visits and by telephone, the team interviewed and received information from the selectmen, members of the finance committee, the town administrator, town accountant, town clerk/treasurer, collector and assessors.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records. Other documents reviewed included the town's outside audits for fiscal years 2008 and 2009 completed by Thomas J. Scanlon and Associates.

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, warrant 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 selectmen 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 boards, committees and officials.

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Fiscal Context

The Town of Hatfield, population 3,262, is a residential and rural community in Hampshire County located on the west bank of the Connecticut River at its junction with the Mill River. It was once a thriving mill town because of its location, but the small factories on the Mill River are now closed, replaced by several assembly and distribution centers and retail businesses. Much of the land is still dedicated to agricultural use. With the lower labor requirements of modern farming, many residents began to commute to jobs in nearby communities with the opening of Route I-91 in the 1960s. Hatfield is bordered to the east by Hadley, to the south by Northampton, to the west by Williamsburg and to the north by Sunderland and Whately. It is located 24 miles north of Springfield and 98 miles west of Boston.

Hatfield has relatively average levels of personal income and property wealth when compared to the state average. The town's 2007 income per capita of \$38,135 was 6.4 percent above the state average. Hatfield's equalized valuation per capita of \$158,271 in 2008 was 4.6 percent less than the Massachusetts average. Despite the fact that the town consistently taxes to its full levy capacity, the town's average single-family tax bill of \$3,172 in FY2010 is 27.7 percent below the state average and the second lowest among its immediate neighbors.¹

Hatfield's government and fiscal management fall under the control of a mix of elected and appointed officials, nearly all part-time. The three selectmen collectively act as the head of the executive branch of government and appoint a town administrator to handle the routine administrative duties of their office. They also appoint the accountant. The town clerk and treasurer are two separately elected part-time positions that have been traditionally held, as they are now, by the same individual. The town collector is also elected to a three-year term; a proposal to make the collector an appointed position failed at the town's 2007 annual town meeting. The three members of the board of assessors are elected to staggered three-year terms. The five-member finance committee is appointed by the elected town moderator.

Hatfield had a FY2010 budget of \$9.3 million funded in most part by local property taxes (55.8 percent). To fund its budget, Hatfield's tax rate, a single property tax rate of \$10.87 per \$1,000, is at the Hampshire County average where FY2010 residential tax rates range from a high of \$18.36 per \$1,000 in Pelham to a low of \$9.12 per \$1,000 in Hadley. In the 28 year history of Proposition 2½ the town has passed only two overrides, in fiscal 1992 and fiscal 1994, for a total amount of \$27,000. To further support its operating budget, Hatfield operates with a modest level of reserves; certified free cash available for use in FY2010 of \$310,556 equaled 3.3 percent of budgeted revenues and another \$399,435 or 4.3 percent was in stabilization.

The town maintains a set of conservative debt policies and has a relatively low level of debt as a result. Hatfield's total debt service, including enterprise fund debt, has averaged seven

¹ The state-wide average single family tax bill (\$4,390) was calculated from the 337 communities that have reported to date. Hatfield's neighbors and their FY2010 average single-family tax bills are: Hadley (\$2,861), Northampton (\$3,819), Sunderland (\$3,507), Whately (\$4,008) and Williamsburg (\$4,001).

percent or less of the total budget for the last 20 years. The town typically avoids doing any short-term borrowing, the one exception being FY2010 when approval of the town's tax rate was held up because of a delay in certifying property values. Standard and Poors has issued the town a BBB+ bond rating.

Like most cities and towns, the lion's share of its general fund revenues are budgeted for education funding (58 percent). The town maintains its own K-12 school system. With just 456 students, it is the second smallest K-12 public school system in the state of Massachusetts. Smith Academy, the Hatfield public high school, was endowed by town resident Sophia Smith, the founder of Smith College. The school receives a large number of students from surrounding towns through school choice; the district received a net of 78 students (17 percent of total enrollment) and a net of \$373,467 in tuition payments during the 2009-2010 school year.

Overall Impression— It is generally understood that a municipal government, which is supported by and serves a small population like Hatfield's, operates according to a different dynamic than larger communities. In particular, the number of residents willing and able to volunteer in government is limited. At the same time, Hatfield's per capita spending of \$2,862 is virtually the same as the City of Peabody. Whether in a city of 55,000 residents or a town of 3,300, community assets need to be protected.

Despite the presence of a town administrator, it appears to us that the single biggest issue in Hatfield is its flat management structure and the lack of a coordinating presence. There are a number of town departments which answer to independently elected boards instead of to the board of selectmen. Furthermore, effective communication and cooperation is complicated by the part-time nature of government. The newly appointed town administrator may be able to fill this void if he is given the proper direction and support from the selectmen.

In the sections that follow, we report on the observations that support this conclusion and elaborate on our suggestions for the improvement of financial management practices in the town of Hatfield.

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 various municipal departments, as well as those 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 roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

The three-member board of selectmen has overall responsibility for the general operations of town government in Hatfield. While they approve payroll and vendor warrants biweekly, the selectmen meet every week. They employ a full-time town administrator to handle day-to-day activities on their behalf. A new town administrator was appointed in August 2010 with a one-year contract specifying that he will “carry out the policies and directives of the Board of Selectmen.” The only direct authority he has over town employees is the responsibility for the hiring and firing of the town’s two-part time secretaries. Despite the lack of specificity in his contract, it is generally understood that he will be responsible for following up on matters for the select board, assisting the public and town departments and serving as liaison with committees, boards, and other officials. The town administrator will also pursue grant programs, oversee the bidding process and coordinate procurement.

The budget process in Hatfield is typically initiated by the selectmen with a request for departments to submit budget requests in mid-December. The town secretaries compile the requests into a working document for the selectmen. The board holds budget hearings with the departments who report directly to them, but they do not meet with departments that report to separately elected boards. The selectmen’s budget is submitted to the finance committee which holds its own budget hearings. The finance committee meets only with those departments not interviewed by selectmen. The finance committee budget is presented to town meeting. Under this arrangement, the selectmen’s budget includes recommendations for many offices without direct input from the department head. Similarly, the finance committee prepares a budget without first hand information from those offices it does not interview. The formulation of a capital plan follows a parallel process approximately two weeks later. Here, it is the selectmen’s proposal that goes to town meeting with a report by an appointed capital improvement committee.

On balance, the finance related offices of the accountant, collector and treasurer are effective in the execution of most tasks required in the collection and deposit of receipts, and in producing vendor and payroll warrants for review and approval by the selectmen. The assessors are timely in delivering the commitments of taxes to the collector and, in general, a regular exchange of information between offices typically takes place. The assessors, collector and treasurer attend the annual schools each year to stay current with new developments.

Staff are responsible, as well, for the preparation of required submissions to DOR. The accountant, assessors and town clerk collaborate on the preparation of the town's Tax Recap Sheet, which is the basis of DOR approval of the annual tax rate. DOR needs to approve Tax Recap submissions in December in order to generate the first actual quarterly tax bill on time. With the exception of fiscal 2010 when there was a dispute about property values with DOR, Hatfield has consistently met this deadline. The balance sheet (for free cash certification) is completed by the accountant, as is the town's Schedule A (a year-end report of financial activity). DOR recommends that the balance sheet be submitted by the end of September and the town's Schedule A is due October 31. The Hatfield accountant has never met these deadlines; the town's free cash is typically certified in late November of each year and the earliest the Schedule A has been submitted is Christmas Eve. During the time of our visits in November 2010, a special town meeting was cancelled because FY2010 free cash had not yet been certified.

The town has an annual audit completed by Thomas J. Scanlon & Associates. Annual audits and the accompanying management letters are important to ensure the quality of a town's financial health by providing an independent assessment to either confirm sound financial practice or point out systemic weaknesses. The most recent audit found the town to be in general compliance with internal controls and no material weaknesses. However, the management letter identified several areas where improvement was warranted. The most important of these was the infrequency of cash reconciliations, an important safeguard of the town's cash. Municipal checks and balances require that the accountant and treasurer compare their independent totals regularly, preferably monthly, to verify the town's cash position. In Hatfield, the accountant generally reconciles with the treasurer only at year-end.

During the course of our review, we did note that Hatfield has developed and adopted a set of financial policies. Included are very general guidelines for annual budget and capital plan development, as well as policies on reserve levels and debt limits. Another policy requires the DPW and ambulance director to set self-supporting water and sewer rates and ambulance fees.

Conclusion—The primary obstacle to improving government that we observe in Hatfield is the need for a more unified, coordinated effort among town leaders and finance officials. The nature of small town government with mostly part-time positions has contributed to a lack of coordination and communication. The presence of a relatively new town administrator provides

an opportunity for the selectmen to clearly define his role. With their direction and support, he could provide the coordinating presence necessary to orchestrate the financial management of the town. More joint meetings have also proven helpful in other communities where communication is an issue, and we recommend as much for Hatfield. We should also point out that the ultimate success will depend on the active cooperation of all boards, committees and offices.

To foster the necessary levels of communication and cooperation, our primary recommendations for Hatfield are to clarify roles and to adopt a team approach to governance and financial management. The selectmen should clearly formulate their expectations of the new town administrator and define his role in town government. The open communication and cooperation between the various boards and offices responsible for town finances that is essential for maintaining proper control over money can be fostered by regular meetings and development of a team approach to financial issues.

Recommendation 1: Clarify Roles and Set Priorities

We recommend the selectmen and town administrator review their working relationship in order to clarify expectations and establish priorities. For the town administrator to be effective there needs to be a clear understanding of his role. Together they should establish a set of written goals and objectives that more clearly define their relationship, as well as day-to-day performance expectations.

The Hatfield town administrator has been on the job approximately five months and his role is not clearly defined. His employment contract outlines the conditions and terms of his employment and benefits but contains no details on his expected duties and neither do the town bylaws. The selectmen need to clearly convey their expectations to the town administrator. A periodic review of the administrator's performance and progress made should also be conducted. The select board and the administrator need to come to agreement on how the town administrator's time will be spent if he is to be successful in advancing the goals of the selectmen.

Recommendation 2: Improve Coordination of Financial Functions

We recommend that Hatfield establish a financial management team and hold meetings on a monthly basis. Financial team meetings are a useful forum for reviewing responsibilities and deadlines related to town meetings, the annual budget, the Schedule A, the Tax Recapitulation Sheet, and free cash certification. They are an occasion to analyze financial problems, to spur creative thinking and to develop and incubate new ideas. Meetings present opportunities to identify critical junctures for the town and to formulate strategies to avert

potential fiscal problems. The group can be a sounding board for proposed procedures or policies.

In addition, meetings enhance lines of communication to ensure that all involved receive the same message or new information at the same time. They provide a forum to raise and resolve interdepartmental issues. The financial management team is not intended, however, to function as a policy making body, nor as one that would encroach on the duties or decision-making responsibilities of the select board, finance committee or a town administrator.

In Hatfield, we would expect a financial management team to comprise the town administrator, accountant, clerk/treasurer, collector and a member of the board of assessors. A select board member and finance committee member might also be included.

Recommendation 3: Reconcile Cash and Receivables Monthly

We recommend that the accountant reconcile receivables and cash with the collector and treasurer each and every month. The collector and treasurer currently reconcile their internal records of outstanding receivables and cash, respectively, on a regular monthly basis. This process requires verification that entries in the collector's receivable control and the treasurer's cash book are supported by source documents. Once completed, the collector's receivable control balances of outstanding amounts due and the treasurer's records of cash should be reconciled externally to the accountant's general ledger balances to ensure that the records of the two offices match. This is not only an important check and balance, it is a fiduciary obligation. Although acceptable to complete on a quarterly basis, it is strongly suggested that reconciliations occur on a monthly basis with the accountant. It is a more prudent practice and variances are easier to identify and correct. Today, the accountant reconciles with the collector and treasurer only once or twice a year.

This issue was raised by the town's outside auditor in his management letter, and will be repeated until it is corrected. We want to reiterate the importance of timely and frequent reconciliations for sound financial management and fully support the goal of the collector and treasurer to do so monthly.

Recommendation 4: Update Town Bylaws

We recommend the town complete a comprehensive review and update of its bylaws. In their present form, the Hatfield bylaws are sparse and due for review. Although exceptions exist, the bylaws 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 provisions in bylaws to define the responsibilities and relationships of officials and the expectations placed on

government. In addition, bylaws often formally codify the annual budget process, provide for regular revenue and expenditure forecasting and outline a comprehensive capital budgeting process.

While the Hatfield bylaws have been amended from time to time to add new provisions, there has not been a systematic review of the existing bylaws in anyone's memory. Bylaws 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. The selectmen should appoint a bylaw review commission to update and expand the Hatfield bylaws.

We further recommend that the town codify the responsibilities of the town administrator and the financial management team in town bylaws that are the subjects of Recommendations 1 and 2. The adoption of a bylaw outlining the role of the town administrator and the financial management team indicates a firm commitment to centralized management. Codifying these responsibilities and procedures ensures that these changes become a more lasting improvement to the town's governance that are likely to endure as elected and appointed officials change.

Recommendation 5: Change the Budget Process

We recommend that the board of selectmen and the finance committee interview all town boards and departments during their respective budget hearings. We saw much to be admired in the Hatfield budget process. In particular, the process is characterized by conservative revenue estimates, an early start and a lineal process which generally culminates in presentation of a consensus budget proposal to annual town meeting. Under current practice, the selectmen hold budget hearings with the town departments that directly report to them. The finance committee holds budget hearings only with the town boards and departments that do not report to the selectmen. Yet, the selectmen are responsible for and present a comprehensive budget for all of town government to the finance committee. Similarly, the finance committee's budget proposal includes the whole of the town's budget, including departments that it did not meet with. While the selectmen cannot compel departments under the control of independent boards and commissions to attend budget hearings, it should give them the opportunity to do so. The selectmen and finance committee might also consider holding joint hearings with town departments even though they continue to develop separate budget proposals.

Recommendation 6: Form an Audit Committee

We recommend that the board of selectmen create an audit committee. An audit committee is a group of people who can help determine in advance the requirements and

objectives of the town's outside audit. More importantly, the committee could review the auditor's management letter and monitor progress in resolving audit issues. The town administrator, working with finance officers, would be expected to formulate a corrective action plan to address issues raised in the auditor's management letter. He would also be primarily responsible for the execution of the plan. The audit committee would monitor progress.

In addition, town officials might consider advertising for outside audit services. Not uncommon among municipalities, Hatfield has been with the same audit firm for at least the last ten years. Contracting with a new audit firm can bring a fresh perspective and reflects good practice. Independent audits are not only critical to sound financial management, but demonstrate that the municipality's assets are safe and being handled responsibly. In general, communities are encouraged to periodically re-advertise for auditing services every three to six years. An audit committee could review bids and help in the selection of the audit firm.

An audit committee of three or five might include selectmen, finance committee members, as well as residents. Given the substance of an audit report, finance officers should not serve as members of the audit committee in order to avoid potential conflicts of interest. As a resource, please review [Annual Outside Audits](#) found under Sound Financial Management Practices in the Technical Assistance section of the DLS website.

Recommendation 7: Organize Personnel Files/Set Policies

We recommend that the town comply with state and federal law as it relates to personnel files. There are three types of employee information that must be separately maintained in town hall. Under M.G.L. c. 149, § 52C, a personnel file would include all documents kept by an employer that have been used or that may affect employee's qualifications for employment, promotion, transfer, additional compensation or disciplinary action. Not included would be "personal information" protected under M.G.L. c. 214 § 1(b) and medical records protected by the American Disabilities Act and HIPPA. If stored in the same, secure location, i.e., file cabinet, personnel, personal, and medical information must be maintained in at least three separate file folders. While not required, it is recommended that a fourth separate folder be included to segregate the federal I-9 form.

It is also the responsibility of the town to authorize (restrict), through a written policy, who has access to employee files. It is our understanding that there are three sets of personnel files maintained in Hatfield. The payroll clerk keeps payroll and benefit files for each employee, department heads keep local personnel transaction files on their staff, and the town administrator maintains the central files described in the previous paragraph. While this is appropriate, the policy on access to files should address all three file categories.

Recommendation 8: Consider an Appointed Treasurer and Collector

We recommend the town consider changing the treasurer and collector from elected to appointed positions in the long term. We recognize that the town treasurer has also been the separately elected town clerk for much of this century and that an article proposing to appoint instead of elect the collector was rejected at the 2007 annual town meeting. These two facts do not, however, lessen our conviction that these are positions requiring specific skill-sets and therefore should be appointed rather than elected. This recommendation is not meant to reflect on the performance of the current treasurer/clerk and collector, or in any way to suggest that the incumbents should be replaced. Rather it is a reflection of a prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, such as the treasurer, collector, accountant, assistant assessor, etc., should be appointed.

The town's current organizational structure is relatively rare. Hatfield is one of only 13 towns with a combined treasurer/clerk. Even so, it is not mandated as the town bylaws provide for an elected treasurer and a separately elected clerk; it is only by coincidence or past practice that the same individual has chosen to run simultaneously for both positions. We recognize that this situation has worked well for the town because of its size and the qualified individual holding the position. In fact, the town could codify this arrangement by formally establishing a combined treasurer/clerk position separate from the question of whether the position should be elected or appointed. If the town wishes to combine positions, it might also wish to consider a treasurer/collector. Many municipalities have chosen this latter arrangement because of the parallel responsibilities in the two offices.

Looking forward to when present personnel leave town service, a small community like Hatfield may find it difficult to find a townsperson who is both qualified to serve and willing to run for election. An appointed position would greatly expand the number of qualified candidates. By requiring potential candidates to go through a background check and an extensive interview process, the town would attract a person with the strongest credentials and/or most relevant professional experience. In addition, an appointed treasurer and collector would be placed on equal footing with other finance officers and department managers who have similar level responsibilities. As such, they would be accountable to and report to the town administrator, and be subject to annual performance reviews instead of a three-year review by the voters.

Accountant

The accountant has a legal obligation to oversee all the financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; reconciles cash and debt with the treasurer and receivables with the collector; produces regular expenditure reports and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue, is required to maintain a detailed record of the town debt, and is typically involved in the annual budget process.

The Hatfield town accountant was appointed by the selectmen in September 2002 to the part-time 17-hour a week position. He previously served as the City Auditor in neighboring Northampton. As the town accountant, he inputs invoices from town departments into the Unifund municipal finance software to generate the biweekly vendor warrant and the checks for the treasurer. After the accountant approves the warrant, he provides the treasurer with the signed warrant, the unsigned checks and the payment coupons.

The accountant also produces regular revenue and expenditure reports for town officials. Copies of the reports are delivered to the selectmen; additional copies of the reports are posted on the walls of town hall for departments' use. The selectmen regularly review the reports and make comments, but only a handful of departments reconcile their internal records to the accountant's reports. The accountant also relates that a small number of departments consistently request supplemental appropriations each year. In his opinion, both he and the department heads need to do a better job of monitoring and controlling spending throughout the year.

As for state reporting requirements, the accountant is responsible for completing the town's Schedule A by October 31. There is no official deadline for submitting the year-end balance sheet, but the Director of Accounts has suggested a target submission date of September 15 so that free cash can be certified. Hatfield's submissions have not been close to either of these dates during the current accountant's tenure. In fact, the town recently cancelled a fall town meeting because the articles proposed depended on the ability to appropriate free cash which had not yet been certified. Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet so that the tax rate can be set before December 31 in order for actual tax bills to be sent for the second half of the fiscal year; Hatfield has not missed this deadline during the same period.

The performance of the accountant depends critically on the quality of and frequency of the data he receives from town departments. In that regard, departments are good about submitting invoices for inclusion in the biweekly vendor warrant. Departments are turning over receipts to the treasurer and delivering a copy directly to the accountant. The accountant requires this information in order to create an independent record of the town's cash. As noted in the previous section, the accountant is not regularly reconciling his cash records with the treasurer. Furthermore, it was reported to us that the town's outside auditor performs much of the reconciliation work for the accountant at year end. The responsibility of the outside auditor is to check the town accountant's work, not to perform it for him.

Conclusion –It is apparent that fundamental responsibilities relative to maintaining the general ledger and generating the payroll and vendor warrants are being satisfied. Town officials and the DOR's Bureau of Accounts representative both give the accountant high marks for his competence and experience. At the same time, we observed two potentially serious deficiencies in the accountant's performance: the tardiness of balance sheet and Schedule A submissions to the DOR, and the infrequency of reconciliations with the treasurer and collector. When queried about these deficiencies, the accountant admitted that he has not made these duties a priority. Our principal recommendations for the accountant are to address these two responsibilities.

Recommendation 9: Plan to Meet Recommended Reporting Deadlines

We recommend the accountant complete preparation of the balance sheet and Schedule A earlier in the fiscal year. When the balance sheet is delayed, so is the town's certification of free cash by DOR and the outside auditor is precluded from beginning the annual audit of the town's books. Without a clean audit for review by credit rating agencies and other financial institutions, the town's ability to borrow is also hampered. In addition, if, as we observed, the budget process begins with revenue projections, the reliability and accuracy of those projections will increase if free cash is certain. But, above all, it is just good practice to close the town's books and submit a balance sheet by mid-September, which is consistent with DLS guidelines. The accountant should place a higher priority on meeting these reporting deadlines.

Recommendation 10: E-mail and Reconcile Monthly Reports

We recommend the accountant e-mail his monthly revenue and expenditure reports to the board of selectmen, finance committee and all town departments. The accountant currently submits his weekly expenditure reports to the board of selectmen and posts copies in town hall for department heads. We would expect each town department to reconcile the report from the accountant to an independent record of expenditures that the department manager, or a staff

person, should maintain. Any variance between the two records needs to be identified and corrected. Currently only a handful of departments are doing this and several have had to seek additional funding as accounts run short towards the end of the year. Frequent reconciliation would advise departments of potential problems earlier so that they can adjust spending during the course of the year.

Treasurer

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

The treasurer was first elected to the position 34 years ago; she also serves as the separately elected town clerk. She tracks the cash position in the town's five main checking and 20 trust accounts in Excel spreadsheets. The treasurer records turnovers from the collector and other departments, and disbursements through the biweekly vendor and payroll warrants. She also maintains records on the town debt, including a debt schedule even though the town issues little debt. She is assisted by a part-time payroll clerk who has been in town hall 3½ years and works 15 hours per week.

She deposits the town's cash and check receipts to a local bank three times per week. In between deposit days, the cash and checks are kept in a vault in town hall, as are the check stock and signature stamp for generating the checks. In terms of internal security, the treasurer/clerk is concerned about the infrequency of cash reconciliations with the accountant. With regards to payroll, the assistant clerk/treasurer enters the detail from employee time sheets submitted by departments into Unifund to generate the payroll warrant and the school and town hall payroll checks. As to benefits administration, this office is responsible for enrollment, correspondence and payments to the various vendors that provide benefits for the full-time employees who qualify for benefits. The town offers employees the choice of two Blue Cross/Blue Shield plans offered through the Hampshire County Group Insurance Trust. An open enrollment is held every February. The town provides 50 percent of the cost; employees pay the other half. The town is a conduit for dental insurance for employees who elected coverage prior to 2008, but employees pay 100 percent of the cost. Only persons who work 20 or more regularly scheduled hours per week are eligible for benefits. Retirement benefits are managed through the Hampshire County and Massachusetts State Teachers retirement systems.

Conclusion —Overall, the treasurer effectively fulfills the basic responsibilities of the office. Despite her longevity in office, she attends the annual treasurer's school to keep abreast

of current developments in her field and to learn of new and better methods. We do not need to remind her of the importance of cash reconciliations with the accountant as she maintains this is one of her highest priorities. At the same time, we urge her to take a stronger leadership role in this matter. We also suggest that she create and maintain a cash flow budget even though, to date, cash flow has not been an issue.

Recommendation 11: Create a Cash Flow Budget

We recommend that the treasurer create a monthly cash flow budget. It is the responsibility of the treasurer to manage the town's cash and ensure that account balances are sufficient to cover town obligations as they arise. In this regard, a cash flow budget is a useful tool that can help anticipate periods of low cash balances and better manage short-term investment and borrowing.

A simple spreadsheet can be devised in Microsoft Excel to serve as a cash flow budget. By applying past patterns of monthly spending and collections (as evidenced by warrants and monthly revenue reports) to current year appropriations, and overlaying projected debt service obligations, a reasonable forecast of the town's cash flow will emerge. Through the course of the year, the cash flow forecast can be adjusted for unexpected circumstances, and actual monthly costs and revenues should replace estimates. In the case of Hatfield, the treasurer expressed that she never maintained a cash flow budget because she has never experienced any problems. Still we believe that it is good form for a treasurer to maintain a cash flow budget and there is no guarantee that she will not experience difficulties in the future.

Recommendation 12: Encourage More Direct Deposit

We recommend the town implement direct deposit for all employees on the payroll. Governments, companies, and organizations nationwide have found that direct deposit benefits both the employer and employee. In Hatfield, half of the town workforce is already enrolled. Additional employees can voluntarily enroll in direct deposit, but to impose it universally would require collective bargaining.

Direct deposit eliminates the cost of check stock necessary to print paychecks. Instead, the town would only need to print and distribute, or make available via a secure website, statements to mirror the pay stubs that employees currently receive. Moreover, staff will no longer need to devote hours dealing with lost and uncashed checks. Employees will benefit from immediate access to their pay as it will be credited automatically to their accounts before the town offices and the bank even open.

Collector

The town collector possesses the authority to collect real and personal property taxes, excises, betterments, as well as other charges and payments due the town. The Hatfield collector is elected and has served the town since 2004. She is a certified town collector and attends the Treasurer and Collectors' school annually.

The collector's office prints and stuffs almost 2,000 real estate tax bills and 100 personal property tax bills. Hatfield is a quarterly community but, like many towns, mails two bills at a time to reduce postage costs. Collections are counted and posted to taxpayer accounts as received before being deposited to a treasurer's bank account. Roughly 65 percent of all real estate collections are received in the mail, 25 percent from bank escrow services and approximately 10 percent are from walk-ins. The town accepts a handful of on-line bill payments through an agreement with Unipay. The collector uses a check scanning wand to process payments which reduces the need for time-consuming data entry.

A deputy collector, Arthur P. Jones Associates, receives the motor vehicle excise information directly from the Registry of Motor Vehicles, presents the commitments to the assessors for review and approval before mailing nearly 4,800 motor vehicle excise tax bills annually. The deputy also delivers the collector's bulk mailings (real estate, personal property, water and sewer bills) to the post office after the collector has stuffed and trayed them; the collector handles mailings of less than 500 pieces herself. The firm is also responsible for the collection of delinquent motor vehicle bills. The deputy collector deposits his collection fees to a town-controlled account and is paid through the vendor warrant process.

The collector maintains an up-to-date receivable control that is usually reconciled with the accountant's general ledger twice a year. In accordance with state law, the office responds to requests for municipal lien certificates promptly; the office processed about 125 certificates in FY2010. As for the pursuit of delinquent taxpayers, all delinquent accounts without payment plans prior to FY2009 have been placed in tax title and transferred to the treasurer; the collector plans to place FY2009 delinquencies in tax title this fiscal year. While she does not adhere to a rigid schedule and does not perfect the town's lien as soon as is legally possible, she has never missed the 3 ½ year deadline for perfecting the lien to protect the town's interest.

Conclusion - The Hatfield collector performs the statutory duties of the office well. The greatest shortfall we can find in the office is the infrequency of reconciliations with the accountant, which we address in an earlier section of this report. Otherwise, our two remaining recommendations are relatively minor.

Recommendation 13: Consider Being More Aggressive on Tax Titles

We recommend that the tax collector expedite action against delinquent real estate accounts on a set schedule. In accordance with sound financial practice, the tax collector sends a demand notice when a real estate tax bill goes unpaid for 15 days after the due date. She reports that she has no set schedule and that two to three years can elapse before delinquent properties are placed into tax title. In contrast, many communities begin the process of moving delinquent accounts into tax title within three to six months of the demand notice. By doing so, they perfect the town's lien on the property, making it effective in the event that an alienation (or conveyance) of the property is recorded with the registry of deeds.

We recommend that the collector place properties into tax title according to an established schedule. For example, she may decide to place all tax delinquent properties from FY2010 into tax title at a predetermined date before the end of FY2011. In this manner, the town's financial interests will be protected and all taxpayers are afforded equal treatment.

The collector's job necessarily needs to balance the town's interest against good taxpayer, i.e. customer, service. We do not fault her for not moving properties into tax title as soon as legally permissible in order to give taxpayers more time to get current, especially in today's economic climate. However, we would maintain that three years is too long to wait before perfecting the town's lien. This is just one of the reasons that we prefer an appointed to an elected collector as we advocate in Recommendation 8.

Recommendation 14: Establish a Collector's Drop-Box

We recommend that the collector's office place a secure drop box at town hall. We suggest that the town place a secure drop box at town hall, inside or outside, where payments can be deposited when the collector's office is closed. The drop-box can be used to receive on time, as well as delinquent, payments for real estate taxes, personal property, motor vehicle excise and water/sewer charges, etc. The benefit would be an immediate reduction in foot traffic at the collector's counter and would provide an additional level of taxpayer convenience. If placed outside, the town might consider the police department or some other visible, secure location.

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 tax, personal property tax and motor vehicle excise payments. In Hatfield there is a three-member elected board of assessors with staggered three-year terms; the chairman is a certified assessor. They meet biweekly to satisfy their responsibilities, including the recording of formal votes on decisions about abatements, new growth and the overlay.

To ensure that residents are taxed equitably and accurately, an assessing office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to document an annual property value adjustment analysis and to prepare for state certification of property values every three years; FY2013 is the next recertification year.

The volume of work in the Hatfield assessing department involves 1,379 residential real estate parcels, 289 commercial/industrial accounts and 294 parcels in agricultural, forestry or recreational use. There are an additional 97 personal property accounts. Over the course of one year, motor vehicle commitments total approximately 4,800 accounts. Also in fiscal 2010, the office issued 66 personal exemptions and approved 25 abatement applications.

All clerical functions and data entry are performed in-house by the assistant assessor. Under a new contract executed this June, an outside contractor, Patriot Properties, is responsible for all inspections, including those conducted as part of a cyclical re-inspection program and those relating to sales and building permit properties which form the basis for the calculation of new growth. All properties are inspected every nine years as part of a cyclical re-inspection program; building permit and sales inspections are performed throughout the year. The computers in the office are installed with Patriot Properties appraisal software which stores property data and aids in property valuation analyses. Patriot is currently conducting a full field review to verify that the property data was properly transferred during the office's recent conversion to Patriot Properties valuation software. They are also responsible for the valuation of personal property. The assessors are satisfied with the performance of the software and the quality of software support.

The office is open to taxpayers Monday through Thursday from 8:30 am to 2:30 pm; the assistant assessor works in the office on Fridays on tasks better completed without interruption.

Property records with values and assessors' maps are available online through the office's web page.

Conclusion—The Hatfield Board of Assessors has recently opted to use the services of a professional consulting firm instead of in-house staff to perform most of the day-to-day valuation work including almost all inspections, estimating new growth and valuing personal property. They retained an in-house clerk to do all data entry and to maintain a town hall presence for taxpayer assistance. While the transition to this new arrangement was contentious, it now appears to be working well for the town and is no more costly than the former arrangement where a second town employee performed most of the assessing functions. Our recommendations for the assessing office are relatively minor.

Recommendation 15: Revise Overlay Setting Process

We recommend that the assessors revise their process for projecting the annual overlay. The annual overlay, as it appears on the annual Tax Recap Sheet, is intended to cover anticipated abatements and exemptions and uncollected taxes in the upcoming fiscal year. Toward this end, the annual overlay projection should not be arbitrary or fluid. The overlay reserve for any year should at least equal taxes and excises still outstanding in that year and the potential liability of cases pending before the State Appellate Tax Board (ATB). Amounts beyond these calculations can be certified by the board as overlay surplus.

It is the responsibility of the board of assessors to arrive at the annual overlay estimate. The assessors should develop the annual overlay estimate based on the abatement and exemption history of the town and the town's collection rate. In addition, assessors are cautioned to be conservative in their estimates and to anticipate changes to past history as market conditions change. To this end, the Hatfield board has historically used a three-year average of past overlay activity to determine the annual overlay amount. In most years, this has provided a sufficient overlay but the recent decline in real estate market conditions may justify an upward adjustment to the overlay amount.

Recommendation 16: Attend New Officials Finance Forum

We recommend that the assessors and the assistant assessor attend the DLS New Officials Finance Forum. The division offers a day long seminar each June for recently elected or newly appointed local municipal finance officials that is designed to foster a team approach to municipal finance by developing an understanding of the responsibilities of various offices as well as their interrelationships. While the course would be beneficial for all the assessors, we

believe the assistant assessor would especially benefit from a better understanding of how the assessors' office fits into the larger municipal finance structure.

Recommendation 17: Place More Content on the Website

We recommend that the assessors' place more content on the town's website. The placement of the assessors' database online enabled individuals to access the information at their convenience and helped to reduce telephone calls and in-person visits to the assessing office over the last year. Putting abatement and exemption forms and instructions on the website will also provide ready access to potential users and further reduce the burden that foot traffic places on the office. Other cities and towns place explainers of the property valuation process and other relevant information for taxpayers on the website. As noted above, the town website is new and still under construction and we understand that the assessors intend to add forms in the near future. In the meantime, we recommend they visit other municipal websites to determine what information they will ultimately place on their page.

Recommendation 18: Track Overlay Balance and Data Changes in Excel

We recommend that the assistant assessor create an Excel spreadsheet for tracking overlay balances. The assistant assessor maintains a ledger book which records the relevant information for each abatement granted by the assessors. We suggest that the abatement amounts be recorded in an electronic spreadsheet and used to create a running total of the overlay balance. The spreadsheet would also automatically calculate totals and the overlay may be more easily reconciled with the accountant.

We further recommend that an additional spreadsheet be created to track any property data changes the assessors make. The spreadsheet should include a column that indicates the reason for the change (e.g., an abatement, remeasure, market data, etc.). This information will allow the consultant to identify issues which may be affecting additional properties, and thus indicate a need for further review. In addition, it will help in completion of the LA-13 as it will indicate new growth and allow the BLA representative to monitor changes that might be made without market support.

Computers and Technology

Information technology (computers, software, internet access, etc.) plays a major role in financial management today. Regulations and public expectations are based on the assumption that financial officers will have the access and ability to utilize relatively up-to-date computer technology. Important Informational Guideline Releases (IGRs), as well as bulletins, forms, announcements, and advice from DOR are posted electronically on the Internet. Town financial records are maintained in various databases and software packages. The ability to transfer this information between offices electronically is vital to successfully completing tasks that involve multiple offices, such as generating property tax bills and reconciling cash. Electronic storage frees up space in town hall and, if properly secured, adds a level of security against loss. No matter the size of a community, effective and efficient financial management requires the ability to take advantage of technology-based resources. Maintaining these systems requires the time and attention of technology-savvy individuals.

Currently the town contracts with an outside firm, the Moody Consulting Group, to manage its information technology assets. The firm manages the town's system remotely to perform routine system maintenance, manage backups and install software upgrades; no one in town hall has system administrator privileges. The firm maintains a good inventory of computer hardware and advises the town on hardware needs for the ensuing year. The consultant receives good marks for overall system management. The firm is also responsible for troubleshooting when local problems occur. In this regard, the consultant's performance receives poorer marks. A local user typically leaves a voice mail message and receives a response within one to three days and it is sometimes difficult to get the consultant into town hall when needed. This may be a function of the contractual arrangement and should be reviewed the next time the contract is up for renewal. There is a centralized computer budget for the maintenance and replacement of town hall computers and consulting costs.

Each of Hatfield's financial offices has a networked personal computer and all important financial functions have been automated to a large extent. All computers have e-mail capacity and internet access. The town has thorough policies on the appropriate use of these capabilities in its human resource guide but does not have a web filtering service to protect the town's network against malicious malware or viruses.

Operating systems include a variety of Windows versions; Microsoft Office products, particularly Excel spreadsheets, are widely used. The assessors recently converted from Point to Patriot Properties' appraisal software while the collector continues to use Point software; the assessors' new contract specifies that the necessary exchange of information with the collector will take place electronically. The accountant and treasurer use the payroll, vendor, general ledger, receivable and tax title modules of Unifund's BudgetSense municipal finance software.

All software packages are fully supported by the individual vendors. The town has GIS capabilities courtesy of Main Street Maps and it is actively used in the assessors office, the Redevelopment Authority, the department of public works and the planning department.

The town installed a website, www.townofhatfield.org, that is maintained by the town administrator. The Hatfield website is well organized but lacks much content compared to many other cities and towns. The site has many placeholders but is not fully populated with complete and up-to-date content. The home page contains links to town departments, announcements and a calendar with all meetings and important dates. Among the few documents posted on the website are the town bylaws and a fee schedule for electrical inspections. Each town department has its own page with office hours, staff names and telephone numbers; only the tax collector, police department and veteran's agent have e-mail links. The collector's page contains a link to pay real and personal property taxes. The assessor's maps and property record cards are online but other common documents and forms are not available. Unlike many other town web sites, the Hatfield site lacks any budget information or financial statements, or town meeting warrants and minutes. In part, the lack of content is due to the relative newness of the website.

Conclusion—Hatfield's immediate technology needs are being adequately met. The town's equipment and network are secure and relatively up-to-date. Data sets are adequately backed up and town hall users are satisfied with the level of support they receive from their software vendors. That said, there is no long range technology plan, nor anybody responsible for formulating one. A technology plan will evaluate the town's technology status in order to identify and prioritize needed improvements. Many towns have volunteer committees comprised of residents employed in technology industries to advise them. Another deficiency is the underutilization of the town's website as a portal to communicate to town residents and facilitate their interaction with their town government. Our recommendations address these issues.

Recommendation 19: Establish a Technology Committee

We recommend the formation of a technology committee that includes users from within town hall and expert volunteers from the community. A technology committee can be a meaningful and objective contributor of information, analysis and insight for town decision-makers as they grapple with computer and software issues. Its members can work to produce a periodic report, or assessment, of the town's technology status. Such a report would serve as a useful tool to evaluate the performance of hardware and software in town departments, to identify and prioritize the need for upgrades, and to recommend the adoption of new technologies.

In the future, the committee could plan and oversee computer training, hardware replacement schedules, system upgrades, etc. They could also look into issues such as data

security and emergency planning to make sure information is properly backed-up and retrievable. They could discuss future software purchases and conversions to prepare for integration with existing systems. A technology committee might comprise only three or four members who have appropriate knowledge or work experience.

Recommendation 20: Enhance Information Availability on the Town's Website

We recommend that the town make more information and material available through its Internet website. An up-to-date, comprehensive website helps to bolster public awareness of issues and confidence in municipal government. Other communities are finding that user-friendly and informative websites are successful in reducing the amount of time that staff spend fielding questions in person or on the phone. A reciprocal time-savings is also experienced by residents and taxpayers. The town currently has a well designed and organized web site, www.Hatfieldma.us, but it could include more content.

Information not currently on the town's website that would serve as an improvement includes:

- A Town Treasurer page
- Town meeting minutes
- Proposed/approved budget data; audited financial statements
- E-mail links to town officials
- Tax abatement application forms

The ability to do business online rather than in person or by mail benefits citizens and town officials alike. With a well-designed web site, many time-intensive tasks such as paying multiple bills can be handled by citizens themselves. Then municipal officials can focus on other work and citizens can have their needs met at their convenience, rather than adapting to town hall's limited schedule.

Recommendation 21: Improve Troubleshooting Response Time

We recommend that the town administrator work with the town's technology consultant to improve the firm's troubleshooting response time. As noted above, the consultant receives poor marks for responding when town hall users experience difficulties. The town administrator might consider maintaining a log of computer issues noting the nature and date of the complaint and when action is completed. Improving response time is especially important as the problems that require the consultant's assistance are more likely to be system-wide problems that affect multiple users and departments. While this may be the result of the contractual relationship, it is important that issues be resolved quickly given the increased dependence on technology.

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Michael Lyons, Town Accountant
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Louise G. Slysz, Town Clerk/Town Treasurer
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