



Town of Hopedale

# Financial Management Review

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Municipal Data Management and Technical Assistance Bureau

March 2007

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## *Introduction*

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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 Hopedale.

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

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

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## Executive Summary

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Located in eastern Massachusetts, Hopedale, with a 2005 population of 6,243 comprises 5.3 square miles. It is bordered by Milford on the northeast, Bellingham on the east, Mendon on the south and west, and Upton on the northwest.

Benjamin Albee set up a grist mill on the Mill River to grind settlers' corn in the first recorded settlement. Until the mid-19<sup>th</sup> century, the town followed the pattern of many communities with a combination of agriculture and small industry. But in 1842, Adin Ballou and his followers, idealists who wanted to combine biblical individualism with social responsibility and religious liberalism, purchased 600 acres in what is now downtown Hopedale to establish Fraternal Community Number One. Thirty houses, chapel and workshops were built on an architectural plan for the 170 people who joined in the social experiment, which combined farming with manufacturing, and took strong stands on temperance, women's rights and abolition.

Disagreements over how to administer the community ended in bankruptcy by 1856 and George and Ebenezer Draper, followers of Ballou, took over the property. The brothers made doors, window sashes and blinds and ran a printing office, but they discovered early on that their most profitable business was making textile machinery. By 1880 there were 400 patents held in Hopedale for textile machinery, 800 Draper employees and \$1 million in sales. By 1892, with the advent of the Northrop loom, Draper became the largest producer of textile machinery in the country.

The Drapers believed that good houses made good workers and created a model self-contained company town with one of the best collections of architecturally significant double houses in the country. The company charged low rents and provided high quality housing, impeccable maintenance and recreation opportunities.

The Draper site closed in the 1980s but the 100-plus acre site holds great development potential for the town today, though there are concerns that, if totally devoted to residential development, the site would overtax the services of the town in terms of traffic and local schools.

Hopedale has a fiscal 2007 budget of \$21.3 million, financed largely by property taxes (41.7 percent) and state aid (40.0 percent). Excess capacity and stabilization fund balances are healthy but there is concern among town officials because both have declined in recent years. Excess capacity stands at 6.2 percent of the total levy today but declined in each of the last three years. The stabilization fund has a balance of \$875,243 or 4.1 percent of the 2007 budget, but the balance has declined slightly for three consecutive years.

At the same time, the average single-family tax bill in Hopedale has historically remained close to the statewide average. In FY07, the town's average single-family tax bill of \$3,895 was only 2.5 percent below the statewide average of \$3,993, and ranked 115<sup>th</sup> among 302 reporting communities. The town's FY06 equalized valuation per capita (\$125,813), a measure of

community property wealth, was well below the state-wide average (\$154,450). To further provide relief for residential owners, Hopedale is one of 100 out of 307 reporting communities that shifted the tax burden from residential properties to commercial and industrial properties in 2007. In FY07, the residential tax rate was \$10.82 compared to a commercial/industrial and personal property tax rate of \$18.60 per thousand dollars of assessed value.

Conclusion – The town of Hopedale is experiencing a period of transition in its town hall. All of the major offices are headed by persons who are relatively new to the job and with varying levels of previous municipal experience. The town coordinator, accountant, assessor and treasurer/collector have all been in their current positions less than two years and are still learning to work together. With more time together they should continue to improve the management of Hopedale's affairs. At the same time, we observe that a necessary component in this evolution is a stronger management presence. The position of the town coordinator needs to be enhanced, empowered and returned to a town administrator in stature.

A town administrator needs the formal authority to lead the budget process, activate an effective capital improvement program, manage financial offices, and supervise town hall finances and personnel. To be effective, the position holder needs the support of the board of selectmen in order to create rules for town hall operations, to develop a staffing plan that makes sense, and to implement a goal-oriented performance evaluation program.

We make recommendations to formalize the budget process beginning with the development of long-term revenue projections for planning purposes. We also see the need for a better capital planning process. With dwindling resources and the limited ability to fund capital improvements, the need for planning is more, not less, acute. Better attention also needs to be paid to personnel issues, with the development of job descriptions and performance evaluations. We also propose that greater oversight and consideration be paid to technology issues because of the increasingly important role that computers play in managing town affairs.

Although they warrant attention now, the recommendations referenced above may take some time and thought to implement. Of immediate and critical importance is the matter of reconciliations of cash and receivables. Focus needs to center on reasons why posting and reporting of cash receipts by the treasurer's office lags. With delays, the ability of other offices to fulfill responsibilities is effected, the cash standing of the town is uncertain and the prospects for a negative audit report are looming ahead. Therefore, we propose that the treasurer/collector make a diligent effort to reconcile cash and receivables more frequently to better safeguard town resources.

More than anything else, the strongest commitment the town can make to its future is to create a town administrator position fully empowered with the management tools and organizational support to do the job.

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## Summary of Report Recommendations

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### Overall Financial Management (page 6)

- 1) Strengthen the Administrative Position
- 2) Update Town Bylaws and Form a Charter Review Commission
- 3) Formalize the Annual Budget Process
- 4) Develop Long-Term Revenue and Expenditure Projections
- 5) Strengthen the Capital Improvement Process
- 6) Implement Employee Performance Reviews
- 7) Improve Office Space in Town Hall
- 8) Monitor Health Care Spending
- 9) Reconsider Health Care Benefits for Part-Time Boards
- 10) Calculate OPEB Liability
- 11) Bond All Town Hall Employees Who Handle Money
- 12) Hire a Clerk for Inspectional Services

### Treasurer/Collector (page 13)

- 13) Reconcile Cash and Receivables
- 14) Shift Water and Sewer Collections
- 15) Process Refunds More Timely
- 16) Post Motor Vehicle Excise Receipts Directly to the Town's Bank Account
- 17) Submit Summary Time Sheets
- 18) Record Sick and Vacation Time with the Payroll Service

### Accountant (page 17)

- 19) Change the Vendor Warrant Schedule
- 20) Change the Format of the Payroll Warrant
- 21) Transfer School Financial Data Electronically
- 22) Utilize the Senior Work-Off Program for Stuffing Bills
- 23) Post Invoices Remotely
- 24) Create an Internal Expenditure Transfer Form
- 25) Submit Schedule A on Time
- 26) Capture All Indirect Costs
- 27) Grants and Contracts to Town Accountant

Assessors (page 21)

- 28) Require Digital Submission of Plans
- 29) Budget Adequately for GIS
- 30) Send One Person on Inspections

Water and Sewer Enterprise Funds (page 23)

- 31) Adopt a Rate Setting Process
- 32) Consider Consolidating into a Centralized Department of Public Works

Computers and Technology (page 25)

- 33) Improve Systems Administration
- 34) Assign Backup Responsibility

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## Overall Financial Management

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A review of the town's overall financial management practices focuses on the procedures 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).

In this context, finance department heads and staff are effective in producing vendor and payroll warrants for review and approval by the selectmen. The finance committee has primary responsibility for developing the annual budget and, despite little guidance in by-laws, fulfills that role in a thoughtful and conscientious manner. To its credit, the committee has consistently advocated sound financial practices, particularly concerning the use of reserves, but broader acceptance of multi-year fiscal policies has not become an integral formal part of the budget process. This is, in part, a reaction to tight budgets during difficult economic times, which have also caused abandonment of the capital improvement program. As a result, long-term planning suffers.

Staff involvement is necessary, as well, in the preparation of required submissions to DOR. The balance sheet (for free cash certification) is completed timely by the accountant, however, her preparation of the town's Schedule A has generally lagged. The fiscal 2006 Schedule A was submitted in late December, an improvement over the two previous years when it was not submitted until the following March. Finally, 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 advocates Tax Recap submissions by November each year, and Hopedale met that deadline for the first time in over six years for fiscal 2007.

This is the third visit by the Division of Local Services to the town of Hopedale. A full Financial Management Review of the town was completed in September 1995, and a Review of the Assessing Office completed in April 2003. It is worth noting that many of the recommendations of the 1995 report remain relevant today, in particular with regard to the budget process, the role of the town coordinator, office space, and reconciliations between financial officers. The prior report on the Assessing Office came at a time of great upheaval in that office and there appears to be much greater progress in terms of restoring that office to the professional standards of a modern assessing operation.

Conclusion - As a reaction to a bad experience about 20 years ago, the town of Hopedale reduced the power of its town administrator position and renamed it a town coordinator. Today, however, municipal government is far more complex and demanding. Budgets are larger and issues are wider-ranging in impact. Accountability, long-term planning and professional decision-making have become essential components of effective and responsive municipal governments.

Therefore, our primary recommendation is to re-establish the town administrator position with the authority it needs to manage the town's business on a day-to-day basis. Our other recommendations are important, as well. However, the town's ability to implement them and its prospects for improved operations will increase exponentially if a fully empowered manager is at the administrative helm of government.

### ***Recommendation 1: Strengthen the Administrative Position***

We recommend that the town of Hopedale empower and rename the position of "town coordinator" to "town administrator". The re-established town administrator position should have greater authority to act as the town's principal budget officer with responsibility for leading the budget process from its initial formulation to its final conclusion, and take the lead role in the capital improvement process. As the chief administrative officer, his responsibility for appointing, supervising and evaluating department heads should be acknowledged and formalized.

The new title and greater authority will allow the office holder to resolve the issues, concerns and problems that are brought to town hall. It would empower the administrator with true authority to manage town government on a daily basis.

To demonstrate a commitment to the concept of central management, and to create stability, the town administrator job description should be quantified and defined in a new town bylaw or town charter.

### ***Recommendation 2: Update Town Bylaws and Form a Charter Review Commission***

We recommend the town complete a comprehensive review and update of its bylaws and work toward the adoption of a town charter. In their present form, the Hopedale 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 these and other provisions in charter language, or in bylaws, to define the responsibilities and relationships of officials and the expectations placed on government. A charter should formally codify the annual budget process, provide for regular

revenue and expenditure forecasting, outline a comprehensive capital budgeting process, define the roles of the town coordinator or administrator, and institute personnel policies.

Because of the lack of volunteerism and the difficulty filling certain appointed town boards and reaching a quorum for town meeting, a charter review commission or government study committee might also consider reducing the membership and revising the composition of town boards, or adopting a representative town meeting structure for Hopedale. The town may also use the charter review process to reconsider the number of selectmen. To ensure long-term stability, and to discourage frequent or frivolous amendments, a charter has become the preferred vehicle to define the community's organizational structure.

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

For more information, we direct the town to the DLS web site and to the link on City and Town Charters.

### ***Recommendation 3: Formalize the Annual Budget Process***

We recommend that the budget process be formally adopted and codified by a town bylaw or in a town charter. Such a bylaw or charter provision would identify roles, responsibilities and timelines for the budget process. It would establish a sequence for task completion and deadlines for the collection and analysis of information. Because Massachusetts municipal budgets are revenue driven, i.e. a community can only spend to the extent it has anticipated income, the development of revenue projections should mark the beginning of the annual budget process. A bylaw or charter provision might also specify the budget format, the content of a budget message and the approvals to be obtained.

In general, a bylaw or charter would define and solidify the budget process and go far to ensure consistency from year to year. In doing so, it would inspire confidence among department managers, town selectmen, finance committee members and residents that budget decisions are made pursuant to a thoughtful process over time as elected and appointed officials change. Consistent with our earlier recommendation, we would expect the town administrator to have the most prominent role in the budget process.

### ***Recommendation 4: Develop Long-Term Revenue and Expenditure Projections***

We recommend that the town administrator, in coordination with the financial management team, develop revenue and expenditure forecasts for the next three to five fiscal years. Building long-term revenue and expense assumptions helps community leaders manage

the expectations of stakeholders, enhance fiscal stability through planning, and quantify the future financial commitment required for current policy decisions. Forecasting is the only way to understand trends in local receipts and spending. It will also enable a community to build capital and infrastructure improvements into a financial plan.

DLS offers a free forecasting tool that can be downloaded off the Internet at [www.mass.gov/dls](http://www.mass.gov/dls). 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 5: Strengthen the Capital Improvement Process***

We recommend that Hopedale rewrite its bylaw on the Capital Improvement Committee. The current bylaw provides for a five-member committee with the town accountant as a non-voting member, but currently, only three of the positions on the committee are filled. Over the last three years, the town has spent \$280,000, \$25,000 and \$125,000, respectively, on direct outlays for capital improvements with the funds coming from free cash. Although limited borrowing capacity, or direct capital outlays, may only allow a minimal program, the review and prioritizing of town capital and technology needs should be on going.

For Hopedale, we recommend a reconfigured capital improvement committee that includes the town administrator, public works supervisor, a representative of the school administration, a member of the finance committee and possibly a member of the public appointed by the selectmen or moderator. By assigning this membership, seats will be filled, pertinent information will be at-hand, and prioritization of town needs will be more effectively established.

A thoughtful capital improvement program starts with an inventory and analysis of the town's capital stock and an assessment of the town's financial capacity. Next a list of requests is solicited from all the departments is prioritized based on objective criteria. A capital improvement plan, from the rankings that result, is ultimately generated reflecting town-wide needs.

For more information on the capital planning process, we direct you to the Department of Revenue's workbook, "Developing a Capital Improvement Program" on our website [www.mass.gov/dls](http://www.mass.gov/dls).

### ***Recommendation 6: Implement Employee Performance Reviews***

We recommend that the town establish a program of employee performance reviews. Employee evaluations will reinforce responsibilities and clarify job expectations for managers

and staff with the message that their performance will be measured annually. A clear line of authority should be established where the selectmen evaluate the town administrator, who evaluates the department heads, who in turn evaluate the employees under their supervision. If implemented in a methodical even-handed way, regular job performance evaluations can reinforce accountability, bolster employee morale and elevate resident confidence in government.

As a by-product, job descriptions can be reviewed and updated for all town employees, lines of communication can be created, and the basis for a responsive personnel policy can take shape. The town should be warned that this recommendation does have collective bargaining implications.

### ***Recommendation 7: Improve Office Space at Town Hall***

We recommend that the town address the matter of office space at town hall. While the town coordinator, assessor, town clerk and accountant all have separate offices, the coordinator's administrative assistant/assistant accountant, the assistant collector and the assistant treasurer all share an open, cramped space in town hall behind the counter with no privacy or secure area for handling money. As such, they often experience interruptions during important work that requires their undivided concentration. Since taxpayers have ready access to anyone in the office, each staff person feels compelled to accept payments, raising accountability issues and increasing the chance for errors. In addition, the lack of privacy hinders the ability to perform confidential and sensitive tasks such as payroll.

It is our understanding that the town has considered renovations to town hall including the addition of an elevator in order to access second and third floor space that is currently unused. We would encourage town officials to follow through on this idea even though implementation would require some capital expenditure by the town. As important, the impact of the town hall working environment on productivity, morale and the ability of the town to attract and retain good employees should not be ignored or underestimated.

### ***Recommendation 8: Monitor Health Care Spending***

We recommend that the town closely monitor spending for health care. Hopedale recently created a health insurance trust fund at a time when health care spending and insurance rates have been growing far in excess of overall inflation. In contrast, most communities choose to cover their employees through insurance programs that limit their exposure to catastrophic costs and pass a large measure of risk to their insurance carrier. A move to self-insurance will often save some money in the short run, but containing costs long-term depends wholly on the health experience of the town employees. Even with a stop loss policy limiting the town's

exposure to \$50,000 per employee, catastrophic illness amongst only a handful of employees could prove much more expensive than insurance. Therefore, we recommend that Hopedale monitor this spending carefully and leave the option open to reconsider its decision to self-insure depending on their financial experience over the next three to five years.

### ***Recommendation 9: Reconsider Health Care Benefits for Part-Time Boards***

We recommend that the town consider re-evaluating its policy to cover the cost of health care benefits for members of part-time boards and committees. Under MGL Ch. 32B Sec. 2 (d), an employee must work a minimum of 20 hours a week to qualify for health benefits. However, the clause also states that an elected official, regardless of the number of hours of service, who receives compensation (in any amount) is eligible to receive benefits under a municipality's health care plan. In Hopedale, the town's contribution is 70 percent of that cost for most of town government and 75 percent for school personnel. With the accumulation of six years of credited service for elected officials (i.e., participation in the retirement system), even part-time elected officials qualify for health care coverage upon retirement under the municipality's plan. The town pays 50 percent of retiree health care costs.

As communities throughout Massachusetts grapple with on-going budget constraints, discussions on how to save money have also expanded naturally to include reconsideration of stipends and health care benefits for part-time members of volunteer boards and committees. So too, the town of Hopedale should consider whether these are benefits it wishes to provide and are reasonable expenses, or whether they are legitimate areas of cost reduction. In any event, the town must make a formal vote at town meeting if it wishes to free itself from this obligation.

### ***Recommendation 10: Calculate OPEB Liability***

We recommend the town begin accounting for its Other Post-Employment Benefits (OPEB) liability. The benefits to be paid on retirement are a future and, in most instances, an unknown municipal liability which has drawn the attention of the Government Accounting Standards Board (GASB). As a result, new standards under GASB 43 and GASB 45 require state and local governments to include a footnote in their financial statements as to the actuarially accrued liabilities associated with so-called "other post employment benefits" (OPEB). Under GASB 45, Hopedale will be required to report its OPEB liabilities for the period ending June 30, 2009. While there is no requirement to fund this liability thus far, GASB 45 requires that, through actuarial analysis, the dollar value of the unfunded OPEB liability be determined every two years. Like most municipalities, the town of Hopedale, covers OPEB costs on a pay-as-you-go basis, i.e., only paying for the benefits of current year retirees. If a community chooses to fund the liability, the adoption of special legislation would be necessary to create an OPEB reserve. In any event,

Hopedale should demonstrate to bond rating agencies that it is aware and has agreed on a policy for dealing with OPEB.

Additional information is available on the Department of Revenue, [Division of Local Services website](#).

### ***Recommendation 11: Bond All Town Employees Who Handle Money***

We recommend that the town take the appropriate steps to immediately bond all employees who handle money. Currently, the only members of the town's offices who are bonded are the treasurer/collector, assistant treasurer and assistant collector. Yet the town coordinator's administrative assistant and the water/sewer billing clerk also handle town money. Although MGL Ch. 41 §35 requires bonds only of treasurers, assistant treasurers and temporary treasurers, under the interpretation of statutes, treasurers are liable on their bonds even for money lost without any fault on their part. Therefore, it would be prudent if all town employees who handle town money were bonded which can be accomplished through a blanket bond.

### ***Recommendation 12: Hire a Clerk for Inspectional Services***

We recommend that the town hire a clerk for the electrical, plumbing and building departments. While our recommendations generally seek to avoid creating costs for a municipality, in this instance, the absence of a clerk for the building, electrical and plumbing inspectors is disrupting the work of others. Without a clerk for these departments and depending on who is available, the town coordinator's administrative assistant, the assistant treasurer or assistant collector, are forced to accept permit fees, assist with applications, and respond to questions outside their area of expertise. They are continually drawn from their own responsibilities, which impacts operations. Among other duties, this clerk should be assigned the responsibility of maintaining and reconciling a log of permit fees, a check and balance that is currently not performed. We understand that this recommendation would also require Hopedale to address the office space issue in Town Hall, but feel that neither the public nor the town employees are best served by the current situation.

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## Treasurer/Collector

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The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer 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.

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. If a town accepts MGL Ch 41 §38A, as Hopedale has, the position becomes a town collector, and then has the authority to collect all monies due to the community. Collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Credit reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days. In most communities, the collector manages the contractual agreement with the Deputy Collector.

The office is set up with 3 desktop computers that are networked. VADAR is installed for collector functions. Other reports are maintained on Excel spreadsheets. The payroll is processed through Harpers Payroll Services. The treasurer/collector is assisted by two staff persons all of whom are generally satisfied with software performance.

Conclusion - The most critical issue arising out of the treasurer/collector office is the current delay in posting receipts, reporting receipts to the accountant and completing timely reconciliations, particularly of cash. Otherwise, the recommendations we offer are suggestions intended to improve record keeping and procedures, as well as to provide some guidance on where priorities might be placed.

### ***Recommendation 13: Reconcile Cash and Receivables***

We recommend that the treasurer/collector and the accountant develop procedures for reconciling cash and receivables on a monthly basis. As of the date of this review, the

treasurer's office has not reported receipts, that is, turnover amounts received from town departments, to the accountant since December 2006. Reconciliations of cash between the treasurer's cash book and the accountant's general ledger have not occurred since August 2006. In these circumstances, when the posting and reporting of receipts are delayed, at the very least the cash standing of the town is uncertain. Because of the inter-dependency of finance offices, this lag impacts the ability of the accountant to complete requisite tasks. If the issue is not addressed, the absence of reconciliations could be cited as a reportable condition in the town's annual audit and its bond rating will be at risk. Therefore, we recommend immediate attention to the issue.

Generally, the reconciliation process begins with the so-called "internal" reconciliation of cash and receivables. On the treasurer's side, receipts must first be posted to the financial software. Then, the cash book, which is a summary record of cash receipts and disbursements, is adjusted to the reconciliation of bank statements to the treasurer's record of bank account activity. Whether the accountant provides general ledger balances to the treasurer/collector, or receives her balances, any variance must be identified and adjusted to complete the process. On the collector side, the receivable control components - which records commitments, payments received, abatements, exemptions and refunds - are matched to source documents.

Reconciliations reflect an important check and balance and are a fundamental responsibility for each office. Ideally, reconciliations should be completed monthly but even quarterly reconciliations would be an improvement over the current practice of once or twice a year.

### ***Recommendation 14: Shift Water and Sewer Collections***

We recommend the town consider shifting the water and sewer collections to the treasurer/collector's office. Currently the water/sewer clerk is responsible for printing, mailing and collecting water and sewer bills, receiving and posting payments to the computer system, and turning over collections to the treasurer/collector.

Shifting the collection functions into the treasurer/collector's office will improve the town's financial management in a number of ways. First, it will decrease the number of departments handling town receipts, thereby centralizing cash management and strengthening financial control. Second, by collecting all major receipts in one office, the treasurer/collector will be able to review current billing procedures and suggest a way to adjust billings and to distribute the workload more evenly. Finally, it will restore an important check and balance which is lost when the same department both commits charges and collects payments. Instead, the water and sewer bills should logically be committed by the water/sewer department to the collector who would receive and post payments. This may require transferring staff from the water/sewer department to the treasurer/collector's office.

***Recommendation 15: Process Refunds More Timely***

We recommend that the treasurer/collector process taxpayer refunds in a more timely fashion. Currently, the treasurer/collector reports that she takes four to six weeks on average to process taxpayer refunds and does not process any refunds at all in the months of July, August and September. As a matter of good government, properly filed refunds should be processed in a more timely fashion to return money to taxpayers.

***Recommendation 16: Deposit Motor Vehicle Excise Receipts Directly to the Town's Bank Account***

We recommend that the treasurer/collector direct the town's deputy collector to deposit all motor vehicle excise collections into an account belonging to the town. Like many cities and towns, Hopedale uses the services of a deputy collector, in this case Kelly and Ryan, to process its motor vehicle excise bills and pursue delinquents. Currently, Kelly and Ryan receives the assessor's commitment, then prints, stuffs and mails the bills. Upon receipt of the delinquent payments, Kelly and Ryan turns over a check to the treasurer less its fees. However, dating back to a 1993 DOR IGR, deputy collectors cannot retain fees in this manner.

Instead, the deputy collector should deposit all receipts in a town account, and subsequently receive his fee through the standard vendor warrant process, with the proper checks by the town accountant and the approval of the selectmen.

***Recommendation 17: Submit Summary Time Sheets***

We recommend that department managers submit summary sheets of employee hours worked. The assistant treasurer prepares a weekly payroll report for the accountant by rekeying information from the individual time sheets she receives for all of the town's employees. Instead, each department should submit a summary sheet, signed by the department head, listing names of all employees, hours worked and any sick or vacation time used in a format needed by the accountant. The assistant treasurer could extract the information she needs and then forward the spreadsheets received from each department to the accountant. If stored in a spreadsheet template, a new weekly report from each department could be easily generated. Individual timesheets signed by employees would remain with department heads.

According to the assistant treasurer this would free three to four hours per week for her to perform other tasks. This system would also provide department heads direct access to the time sheets in the event that they need to resolve an employee dispute.

***Recommendation 18: Record Sick and Vacation Time with the Payroll Service***

We recommend that Hopedale utilize its payroll service company to track employee sick and vacation time accruals and usage. Currently, the assistant treasurer maintains a file tracking employee sick and vacation time, which she updates when she is entering payroll records from employee time sheets into an Excel spreadsheet. Rather than maintaining a separate system, sick and vacation could be recorded and reported through the town's payroll service, Harper's. Payroll systems are generally set up to easily track sick and vacation time accruals, and print the information on pay stubs. Hopedale should utilize this feature of their pre-existing payroll service rather than maintain a duplicative system with the same information which requires additional time-consuming data entry.

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## Accountant

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The accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, 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 monthly; produces a monthly expenditure report and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue and is typically involved in the annual budget process.

Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end Balance Sheet (for Free Cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The town of Hopedale has a full time appointed accountant who has been in her current position two years. She has had no prior municipal experience. She has a part-time assistant, who splits her time evenly between the accountant and the town administrator.

**Conclusion** - With few exceptions, the accountant's office fulfills fundamental responsibilities relative to the general ledger, as well as the payroll and vendor warrant process. Some of the issues we address may be attributed to the accountant's lack of previous municipal experience and newness to the position. Over time, they may correct themselves. In addition, several officials we interviewed feel the position may suffer from the lack of adequate staff support. Our recommendations are offered as a means to enhance the checks and balances, and to suggest some labor saving changes.

### ***Recommendation 19: Change the Vendor Warrant Schedule***

We recommend that the town change its schedule and procedure for processing vendor warrants. Currently, the town accountant and her assistant prepare the vendor warrants for the selectmen's signature on a weekly basis. The process is timed so that the selectmen can drop by town hall on Thursdays and attach their signature to warrants. We recommend instead that all invoices be submitted by every other Friday in time for the accountant to prepare the warrants for the selectmen's regularly scheduled meeting of every other Monday. This would save on the selectmen's time by eliminating a mid-week visit to town hall and avoid the delay when two of them are unavailable. Despite moving from a one-week to a two-week schedule, bills would still be paid within the required 30 days if departments submit their invoices to the accountant in a timely fashion.

***Recommendation 20: Change the Format of the Payroll Warrant***

We recommend that the payroll warrant be prepared as a listing by employee. Under current practice, the selectmen are presented with a payroll warrant listing a series of salary account numbers with a corresponding dollar amount. While this format is appropriate for the purposes of the accountant's general ledger, greater detail is required on payroll warrants.

Whether incorporated into the warrant or attached as back-up documentation, gross, or preferably net, pay listed by employee must be made available if the selectmen's obligations under MGL Ch. 41 §52 are to be met. To comply, whoever approves the warrant must be able to inspect and view each individual payment, which in this case would at least be an employee's name and gross salary. Net salary might also be included, but not individual withholding amounts, which should be indicated in the aggregate on the payroll warrant. The same information must find its way to the treasurer so that checks may be drawn.

***Recommendation 21: Transfer School Financial Data Electronically***

We recommend that the town explore the costs and advantages of electronically transferring readable financial data from the school's financial software system to the town's system. Currently, the part-time assistant accountant enters all of the school invoices into the town's financial software for preparation of the vendor warrants even though they have already been entered into the school's financial software. Unless the two software vendors have already developed a program that facilitates the electronic transfer of data, the town should explore ways of making this possible. Once established, the electronic transmission of financial data will greatly reduce the amount of manual entry the accountant's office is performing currently. In any event, the accountant should enter school spending detail in broad categories instead of in all its detail. Because of school autonomy, she needs to verify only that school department expenditures do not exceed its total appropriation.

***Recommendation 22: Utilize Senior Work Off Program for Stuffing Bills***

We recommend that the town use volunteers in the senior work off program to stuff vendor bills and checks for mailing. MGL Chapter 59 §5K gives cities and towns the local option to allow persons over the age of 60 to reduce their property tax bills by volunteering their services to the town at the state's minimum wage and up to an amount of \$750 per year. Hopedale has already adopted this local option and could utilize senior volunteers to prepare bills for mailing. This would free the accountant's part-time assistant to perform other more meaningful tasks for the accounting office.

***Recommendation 23: Post Invoices Remotely***

We recommend that all departments be required to enter their own invoice information into the town's financial software remotely. The accountant's half-time assistant spends hours a week inputting invoices into the financial software as the first step in processing bills for payment and creating the town warrants. All department heads should instead be given access to the financial software and responsibility for entering their own invoices. The accountant would still need to receive invoices in hard copy but, this would free the assistant to spend more time on other tasks.

***Recommendation 24: Create an Internal Expenditure Transfer Form***

We recommend the accountant adopt the use of an internal transfer form for moving amounts between line items in a departmental budget. An internal transfer form, to be completed by the department head and submitted to the accountant, would help document the permissible movement of money between line items. Ultimately, department heads should be encouraged to be as accurate and realistic as possible when submitting their line item budget requests in the spring. In the meantime, the use of transfer forms will provide the town with a clearer picture of where money is spent, where resources are needed, and where efficiencies can be gained. When the transfers are entered into the system, they should appear on the monthly expenditure reports.

***Recommendation 25: Submit Schedule A On Time***

We recommend that the accountant prepare and submit the Schedule A on time, every year. The Schedule A is a statement of the revenues received, expenditures made and all other transactions related to the town's finances during the previous fiscal year. This report classifies revenues and expenditures into detailed categories that provide information essential for analyzing the financial activities of the various departments. This information is also sent to the U.S. Census Bureau to fulfill federal reporting requirements. Failure to file by October 31 may result in withholding major distributions of state aid to the town.

In the past several years, Hopedale has failed to meet the October 31 deadline. Last year, the Schedule A was so significantly late (six months for FY2005 ) that DOR considered withholding Hopedale's local aid distribution. The accountant should explore whether her financial software is capable of generating reports consistent with the Schedule A format to more easily comply with this requirement.

***Recommendation 26: Capture All Indirect Costs***

We recommend that the town accountant ensure that all the indirect costs of the enterprises are reflected in their budgets. Although they are segregated in a separate fund, the water and sewer enterprises do count on other town offices for some services and impose costs associated with general government expenditures. Care should be taken to ensure that all such costs, such as insurance, town hall office space, employee benefits and pensions, and work of the accountant and treasurer/collector in the bill paying and collection processes are captured and charged to the fund so that a true picture of the cost of the services is being reflected and captured from the users.

***Recommendation 27: Grants and Contracts to Town Accountant***

We recommend that the accountant receive copies of all contracts and grants. We recommend that all departments, boards and commissions submit copies of all grants and contracts to the accountant's office in compliance with MGL Chapter 41 §57. The accountant must be able to substantiate all revenue sources against which vendor payments are charged, and verify that the terms of the contract are met when reviewing payment requests.

Therefore, whether a department reports to the selectmen or to an independently elected or appointed board, it must submit contracts and grants to the accountant's office. If a bill is submitted for payment and the contract that contains information to payment terms is not on file, the accountant should not process the payment until said contract is presented.

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## Assessors

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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 and motor vehicle excise payments.

To ensure that residents are taxed equitably and accurately, the 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. Additional information is gathered during an on-going property measure and list program. Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors set the tax rate, 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.

The volume of work in the Hopedale assessing department involves approximately 2,500 residential real estate parcels, 147 commercial/industrial accounts and 182 vacant parcels. There are an additional 300 personal property accounts. All are billed on a quarterly basis. Over the course of one year, motor vehicle commitments total about 8,000 accounts. Also in fiscal 2006, the office processed 16 residential abatement applications and issued 80 personal exemptions.

Conclusion – DLS performed a review of the Hopedale assessing office in 2003 in a period of transition from a part-time assessor to a full time principal assessor. At that time, the office had to rely heavily on outside consultants to perform the necessary tasks for property value certification that year. Today, from the perspective of DLS and in the opinion of the town's BLA community advisor, the assessing office fulfills its function and has reached compliance with BLA accepted practices and state regulations.

### ***Recommendation 28: Require Digital Submission of Plans***

We recommend that the assessor coordinate with the planning board to require that all copies of the necessary plans be submitted digitally. With the move to a Geographical Information System (GIS) all subdivision plans will have to be digitized, at the town's cost, before they can be incorporated into the mapping software. Since the assessors receive plans from the planning board and there is sufficient authority in state law for the planning board to specify plans on disk, requiring the digital submission of plans is feasible and makes sense. The requirement would save the town dollars, and quicken the implementation of the GIS system, as well as regular updates. Therefore, we encourage the start of discussions on this issue between the assessors and planning board members.

***Recommendation 29: Budget Adequately for GIS***

We recommend that the assessor review her budget for GIS. The town has budgeted \$1,000 in the current fiscal year for mapping services related to the implementation of a GIS system. This may not be a sufficient amount going forward as the system is more fully implemented and more data is entered. The town assessor stated in our interview that annual costs of GIS going forward could be as much as \$3,500-\$4,000 per year. One possibility is for the assessor to share the GIS system with other departments who make use of geographic data to share the costs. The water and sewer departments, in particular, should be considered.

***Recommendation 30: Send One Person on Inspections***

We recommend that the assessor send only one person out to inspect residential properties. As part of her regular duties, the assessor inspects sale properties, properties where building permits have been issued, and all properties as part of the cyclical reinspection process. When she takes the assistant assessor with her on inspections, they leave the assessor's office in town hall unstaffed and closed to the public. The assessor should go alone on property inspections so that the office is open to the taxpaying public. If measuring the dimensions of properties is an issue, the assessor should explore the use and effectiveness of automatic tapes, measuring wheels, and infrared measuring devices.

## Water and Sewer Enterprise Funds

Like many towns, Hopedale has adopted enterprise funds for its water and sewer operations. Under enterprise accounting, the revenues and expenditures of the services are segregated into separate funds with their own financial statements, rather than commingled with the revenues of all other governmental activities. Enterprise accounting allows a community to demonstrate to the public the total cost of providing a service. With all the direct and indirect costs (e.g., interdepartmental support, health and insurance costs), debt service and capital expenditures associated with providing the service in a consolidated fund, the community will be able to readily identify the true cost of the service.

The Hopedale water and sewer services cover the whole town. The enterprise funds have self-supporting budgets of about \$600,000 each and generated retained earnings of \$257,000 and \$138,000, respectively in fiscal 2006. The two funds are managed by a water/sewer coordinator who is supported by a full-time billing clerk. The bills are computed off of the water readings which are collected quarterly. Currently, approximately 500 or one-quarter of the 2,000 accounts are read by remote radio devices; the rest are individually read and manually entered into hand held devices. The meter readers turn over their devices to the billing clerk who downloads the data into the financial software. After reviewing the data for errors, she creates the commitment for the water commissioners to sign. Then she prints, stuffs and mails the bills. The bills are paid to the water/sewer clerk who deposits and posts receipts, then turns over the deposit slips to the treasurer.

### ***Recommendation 31: Adopt a Rate Setting Process***

We recommend that the town adopt a formal rate setting process for the water and sewer enterprises in a town bylaw or charter. Such a bylaw or charter provision would specify a timeline for the setting of the water and sewer rates by the water and sewer commissioners. The process should include an analysis of usage, expenditures and revenues from the previous year, and anticipate any changes for the coming year. Then a rate could be established to raise the needed amount of money to fully support the service provided.

***Recommendation 32: Consider Consolidating Into a Centralized Department of Public Works***

We recommend that Hopedale consider consolidating the water, sewer, forestry, highway and parks departments into a centralized department of public works (DPW). The town could find efficiencies in staffing, the use of equipment, and expenditures if a single DPW were to oversee the duties of all the above functional areas. We recommend that the Board of Selectmen either act as, or appoint, a DPW Board. This change would require a town charter or special legislation because of the elected boards for the Roads, Parks and Water/Sewer Commissions. Although not required by statute, the town would further benefit if the department head were a registered engineer and reported to the Board of Selectmen or town administrator.

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## Computers and Technology

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A survey of finance-related offices in town hall revealed 15 desktop computers of various age in use. The computers are networked to allow the electronic exchange of information. All computers have email capacity and internet access on a wireless network.

Similarly, some offices utilize financial management software that is not compatible, that is, the town does not have the ability to electronically transfer information between and among departments, particularly between the school and the accountant's offices. The accountant's office and treasurer/collector's office use VADAR financial software, but the school department has its own financial software. The treasurer relies heavily on Excel spreadsheets, which are also utilized throughout town hall to record data. Water and sewer billing information is maintained and processed by the water/sewer billing clerk on VADAR.

The town has no in-house technology staff to oversee hardware or software systems. A support contract is in place with VADAR, as is a maintenance contract with TwM, a local company, for internet, email and network support. Otherwise, department managers and staff do what they can; they help each other and sometimes contact friends or relatives for assistance when computer-related problems occur.

As a rule, department managers conduct regular data backups, but there are no town-wide procedures that might require, for instance, that backup tapes be stored off-site. Nor does the town have email and internet policies. Individuals are left to run anti-virus scans, and to know how to enhance security by establishing their own firewalls. Further review shows that individual departments have been replacing computers out of their own operating budgets. With the computers networked, system-wide backups and virus scans could be performed but for the fact that there is no one assigned to do it.

Conclusion - Little attention is directed to technology issues or long term technology planning. Although we would not recommend infrastructure improvements to Town Hall outside an overall plan to renovate the building, steps can be taken to better understand and respond to technology needs among staff.

We recommend the assignment of technology responsibilities to a single person who reports to the town administrator, and the development of a technology program. Hopedale should also consider creating a consolidated technology line item under the control of the town administrator so that there is a more cohesive approach to the town's technology needs.

### ***Recommendation 33: Improve Systems Administration***

We recommend the assignment of technology responsibilities to a single person who reports to the town administrator, and development of a technology program. Whether the town formalizes a relationship with one of the private contractors in town, creates a new in-house technology position, assigns technology responsibility to someone in town hall, or explores some combination, a technology program will work best if it is overseen by the town administrator who benefits from a global perspective of government. The components of an effective technology program typically include:

- troubleshooting capability
- hardware and software inventory, and replacement and upgrade schedule
- long-term planning
- analysis of system capacity
- design and implementation of a back-up policy
- survey of current employees and their training and software needs
- identifying software compatibility issues
- development of Internet and email policies
- a single technology budget line item to consolidate decisions and purchases

### ***Recommendation 34: Assign Backup Responsibility***

We recommend that someone in town hall be assigned to run periodic, systems-wide backups and anti-virus scans. With all of the computers in town hall residing on a single network it is a relatively simple task to schedule and run regular backup and anti-virus procedures. Even if a town has limited resources to devote to a technology program, it is crucial to maintain the integrity of the town's financial data. If Hopedale does nothing but one step to improve its systems administration, we recommend that they assign a specific person to run regular system backups of all files.

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## Acknowledgements

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Jim Carroll, Finance Committee  
Linda Cantanzariti, Town Accountant  
Lisa Pedrolì, Assistant Town Accountant  
Barbara Walls, Treasurer/Collector  
Donna Lamphere, Assistant Treasurer  
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