



Town of Ipswich

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

July 2007

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 for the Town of Ipswich.

We based our findings and recommendations on site visits by a technical assistance team consisting of staff from the DLS Municipal Data Management & Technical Assistance Bureau (MDM/TAB), Bureau of Local Assessment (BLA), and Bureau of Accounts (BOA). During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, town manager, finance director/town accountant, treasurer/collector, assistant treasurer/collector, management information systems director, chief assessor, and the assistant purchasing agent, as well as other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, as well as other assorted financial records. Other documents reviewed included the town charter and bylaws, administrative manual of the Town of Ipswich, board of selectmen and finance committee meeting minutes, various department procedure manuals, the Moody's Bond Rating Report, and outside audit reports and management letters for FY2006 and FY2005 completed by Sullivan, Rogers & Company and completed by Melanson, Health & Company in FY2004.

In reviewing the town's financial management practices, we 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, the town manager, and others, when formulating overall strategies for improving the town's financial management, to consider the observations, analysis, and recommendations contained within this report. These are recommendations only, which can be implemented, provided there is sufficient cooperation and political will among the various town boards, committees, and officials.

Overview

The Town of Ipswich is a culturally and economically diverse community of approximately 13,000 people. Billed as the birthplace of independence because of protests against English taxation, Ipswich is a quintessential New England coastal community. With such attractions as Crane Beach, Castle Hill, shell fishing, and numerous parks, farms, and estates, the community continues to attract a wide assortment of residents and visitors.

Founded in 1633 by Governor Winthrop's son John, and incorporated a year later, the land that encompasses the town was once home to native cultures dating as far back as 11,000 years. Early colonial residents were farmers, fishermen, shipbuilders, and traders. Soon however, ready access to swift moving water from the Ipswich River and the Atlantic Ocean, both of which provided transportation, prompted the town's transformation into a thriving mill village. With the first stocking machine smuggled from England in 1822, a successful textile industry developed along the banks of the Ipswich River in what is now the town's center.

As the age of textile milling came to a close, Ipswich lost favor to the neighboring deep-water ports of Newburyport and Salem. The town remained as a quiet country village until the end of World War II. Since the 1950's, the town has developed into a bedroom community. The varied and rich history of Ipswich still abounds in the large number of historical homes dating from the late seventeenth and eighteenth centuries. The town attracts thousands of visitors yearly for the beauty of its beaches and the summer residences of Great Neck, Little Neck, and Argilla Road. Ipswich also benefits from a central rail station with regular service to and from Boston, and proximity to Route 1, Interstate 95, and Route 128.

The demographics in Ipswich, according to Division of Local Services Municipal Data Bank and US Census data, illustrate a relatively mature and more affluent community. In 2000, the median age for residents was 41.7 years old, the median household income was \$57,284, and the average home value was \$229,010. By comparison, Massachusetts' median age in 2000 was 36.5 years old, median household income was \$54,007, and average home value was \$185,009.

The town's equalized valuation (EQV) per capita, which is measure of relative community wealth based on property values and is frequently used as a basis for state aid distributions, rose in rank among all Massachusetts cities and towns from 105th to 81st, in the past ten years.

Between FY2000 and FY2007, the operating budget has grown 50 percent from \$27,235,481 to \$40,937,580, while state-wide over the same period the average increase among all municipal budgets was 39 percent. The average single family tax bill in Ipswich increased 40 percent from \$3,183 in FY2000 to \$4,462 in FY2007; this is less than the 48 percent increase statewide. Ipswich was above the state average of \$2,679 and ranked 74th highest in FY2000, but dropped to 86th in FY2007.

In this context, and in anticipation of future growth, town leaders spoke during our visits of their desire to do more with less. With that in mind, the selectmen and town manager recently outlined the "department structures, services, and budgets" report. The guiding principles of the

study were to investigate the “consolidation of departments and services;” to determine the fair “apportioning of cost-of-services;” and to provide an “organizational focus” on establishing a more efficient and effective government.

This published document, together with the FY2008 Department Head Goals statement developed during the budget process, represents a significant step in identifying what and how services will be provided in Ipswich. Among stated goals, the town manager will implement a management-by-objectives program, work with the finance director toward completion of long-term financial analyses, and enhance professional management training. Goals for the finance director include working toward obtaining recognition for excellence in budgeting from the Government Finance Officers Association (GFOA).

In requesting this financial management review, the selectmen have taken another step forward. During our visits and analysis, we looked at policies and practices in place to accomplish requisite tasks, ensured that financial checks and balances were implemented, and confirmed the town’s compliance with state laws and regulations relating to municipal finance. Furthermore, we examined the structure of government and its impact on operations.

As part of an effort to continue on a path toward greater efficiencies and potential cost savings, town officials specifically asked us to comment on whether a merger of the town accountant, school business manager, and utility business manager functions would be appropriate. To date, general government and the school department share a plant and facilities manager and custodial staff, and although the relationship is being redefined between the town and school, it does establish a precedent for greater cooperation and coordination in the future.

Other opportunities include a re-examination and re-allocation of staff responsibilities. Ipswich, in the near future, will be experiencing a flux in management as key personnel including the assistant purchasing agent and school business manager are set to retire. The assistant purchasing agent who has over 20 year of experience, is responsible for purchase orders, risk management, and the production of the town’s annual report, among others duties. The school business manager also has longevity in office and has numerous responsibilities. The town is currently advertising for an assistant town accountant, a position that will free up the finance director to take a more direct role in developing the budget. It is also our understanding that officials are considering a new position of assistant town manager.

A system for centralized management is in place, as the town manager has general supervisory authority and reports to the board of selectmen. A vertical organization extends throughout town government, which is setup into eight divisions. The divisions, referred to as directorates in the town charter, consist of various departments. For instance, the departments of accountant, treasurer/collector, assessor, town clerk, management information systems manager, and purchasing agent are consolidated into the municipal finance directorate. Within this structure of government, department managers’ report to directors, who report to the town manager.

The board of selectmen functions in an active and involved way within this structure. Up until recently, regular meetings were long, but greater advance planning by the board chair and town

manager has helped to shorten agendas. The board is unusual in its practice of establishing numerous volunteer committees, which by sheer volume consume their time, and place demands on town hall staff. True to the structure in place, selectmen work through and assign tasks to the town manager, but apparently communicate directly with department managers on matters of their interest.

Conclusion - In general, town government is well run. Managers and staff are capable and committed. A centralized management structure guides decision-making. The everyday business of government is completed. Financial checks and balance are in place. Finance related committee members are engaged and collaborate on major policy statements, such as budget development. However, there is recognition that more effective long-range planning needs to occur.

Our recommendations address practices and procedures throughout the finance offices and comment on technology. These recommendations suggest ways to streamline operations, enhance long-term stability, while others bring practices into closer compliance with accepted procedures.

It is our observation that the town manager and selectmen have together created an environment dense with initiatives. It is here where our primary concerns lie. However, because they tend to be less definable and are not particularly evident, there may be resistance to certain conclusions and recommendations we make. Nonetheless, we believe to achieve steady forward movement, there needs to be clarification and agreement on roles and responsibilities.

This process should begin at the top between the selectmen and town manager. The use of volunteer committees should be re-examined. Discussions should expand to include the finance director, vacant positions, and remaining staff. In this regard, with impending personnel changes, we offer suggestions on how responsibilities might be shifted among staff. We offer guidance for determining whether to merge the functions of the town accountant and school business manager, but recommend that the utilities business manager remain independent.

On balance, realigning responsibilities and adhering to the current management structure may be among the more significant challenges facing elected officials and appointed personnel. Nevertheless, for the town to reach its goals, individuals need to understand their roles and, to some degree, exercise a willingness to relinquish control or involvement. These relationships are best understood and agreed to through on-going communication and performance reviews. We recommend as much.

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Overall Financial Management

A review of Ipswich's overall financial management practices centers on the fiscal policies and procedures in place that typically involve finance related departments, but impact town government as a whole. Accordingly, we examined the budget process, the payroll and vendor warrant process, capital planning, and financial forecasting. We looked at financial monitoring, as well as the finance directorate organizational structure and its impact on the operation of government. Lastly, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and timetables for the submission of periodic reports to the Massachusetts Department of Revenue (DOR).

On balance, management and staff in the finance related departments of accountant and treasurer/collector are effective in the execution of tasks required in the collection, deposit, and posting of receipts, and for producing vendor and payroll warrants. The assessing, purchasing, and management information systems departments also function well with respect to routine procedures. Checks and balances are in place and offices comply with finance-related state laws and regulations. Historically, Ipswich is timely in submitting to DOR its balance sheet for Free Cash Certification, Tax Recapitulation Sheet, and Schedule A, a year-end report of actual revenues, expenditures, and changes in fund balances.

Although not comprehensive, a general calendar is in place for developing the town's budget. The town manager has recently taken a greater role in completing revenue projections during the fall and in developing the budget proposal. Salaries are updated centrally and distributed to managers. Otherwise, budget request packets are submitted to, completed, and returned by departments. With information assembled into a working document by the assistant purchasing agent, the town manager makes adjustments, finalizes, and submits the budget to selectmen by December 10th of each year. The selectmen then approve and forward the budget to the finance committee by January 20th. A "bean counting" session is held in late winter or early spring, when consensus on revenue and expenditure numbers are further solidified among the selectmen, the finance committee, and the town manager. The finance committee completes their review prior to presenting appropriation requests to town meeting in mid-May (a recent change from the first week of April). For the FY08 budget, the town manager has developed a capital improvement expenditure recommendation based on departmental requests.

It is our understanding that the town manager intends to complete future revenue and expenditure projections by utilizing the International City/County Management Association (ICMA) forecasting software. From what we know, the software contains detailed formulas for preset calculations and allows for customized revenue and expenditure assumptions. The finance director should be instrumental in this process, as well as have an expanded role in overall budget development. This shift in the finance director's responsibilities has turned attention toward the need for the position of assistant town accountant.

At the same time, the town must plan for the scheduled retirement of the assistant purchasing agent who provides valuable administrative assistance in organizing a working budget, managing

procurements, and overseeing the town's risk management. Typical of the trend in other communities, the town should also anticipate increasing demands in the areas of personnel management and technology support. These circumstances have prompted discussion on the possible creation of a new assistant town manager position, and on the feasibility of consolidating the responsibilities of the town accountant, school business manager, and utility department business manager.

Conclusion - The daily business of government moves forward under the guidance of knowledgeable and capable managers and staff. Routine, cyclical tasks are accomplished in a timely and practiced manner. New goals are set out to elevate professionalism and to enhance the ability of decision-makers to plan further into the future.

However, more immediate decisions are pending relative to the possible addition of new staff and the allocation of responsibilities. There is a need to examine appropriate roles and to seek productive relationships between and among the selectmen, the town manager, department managers, and the volunteer committees that selectmen appoint.

In this context, our recommendations are directed at strengthening the structure of government, to provide for effective communication, and to help in determining the roles and responsibilities of current and future staff positions. We encourage re-institution of performance reviews for all staff, and the reconsideration by the selectmen on how they use volunteer committees. We comment on the value of formal procedures and the adoption of financial policies. Moreover, we recommend changes in certain practices among finance-related offices.

Recommendation 1: Review Selectmen-Town Manager Relationship

We recommend the selectmen and town manager review their working relationship in order to clarify expectations and establish priorities. The town manager routinely receives selectmen requests for information, decisions or actions, and is oftentimes expected to provide updates at regular weekly board meetings. In managing the business of government, the town manager has other daily responsibilities that include administration of long-term projects and fulfilling commitments to attend evening meetings of volunteer committees to which he has been assigned. The selectmen, individually and collectively, have subject areas of interest and call on the town manager for assistance. In some instances, selectmen go directly to department managers for information. Other times, volunteer committees are formed to collect information and advance decision-making on an issue, but seek information from the town manager and town hall staff.

We recommend that the selectmen and town manager come to an understanding on long and short-term priorities, expectations, and realistic reporting or decision-making deadlines. Together they should establish goals and objectives that more clearly define their relationship, as well as day-to-day performance expectations. If projects are, by their nature, slow to develop, weekly reports should give way to perhaps periodic written reports to be included in the selectmen's package. A system should be implemented to identify urgent matters which warrant an immediate response.

Annual performance reviews can serve a primary role in this process. In the meantime, the town manager needs to alert the selectmen as to causes of stress and delays in work. The selectmen, in turn, need to convey their expectations to the town manager. This way both can come to agreement on how the town manager's time will be spent and on what will be achieved.

Recommendation 2: Consider a Re-allocation of Responsibilities

With the addition of a new assistant accountant, the pending retirement of the assistant purchasing agent, and the possible creation of an assistant town manager position, opportunities will emerge to rethink the allocation of certain responsibilities among town hall staff. On this subject, we offer the following:

Shift responsibility for assembling the working budget, previously completed by the assistant purchasing agent, to the new assistant town accountant. Frequently in towns, the accountant or accounting staff receives and organizes departmental appropriation requests into a working budget. If the finance director is to take on an expanded role in the budget process, which we support, there is certain logic that her office performs this administrative function. We also suggest that the assistant accountant maintain a master budget and that a process be established for incorporating and reporting changes to the town manager and finance director. This process becomes more manageable if requests are entered into the MUNIS budget module at the departmental level.

Elevate the soon-to-be vacated assistant purchasing agent position to an assistant town manager position. This recommendation reflects our view that the current duties of the purchasing agent can be reallocated and that there is a need to address higher-level issues. An assistant town manager might be assigned certain supervisory responsibilities. In the absence of a full or part-time human resource director, he or she might oversee personnel practices and policies, as well as address steadily increasing personnel issues. An assistant town manager could complete special projects and function as a liaison to volunteer committees. Although, by job description, the town manager supervises the preparation of bid documents and general compliance with procurement laws, these responsibilities could be transferred to an assistant town manager, particularly if the department of public works were to take on a greater procurement role. As an incidental benefit, the town manager would be able to devote his time to town-wide operations, and to matters of importance to the selectmen.

Other comments: Municipal electric departments are regulated by the Department of Public Utilities under M.G.L. c. 164, and are subject to different accounting rules than town or school operations. At the very least, they are on a January-to-December fiscal year. Because there is the need for specialized knowledge, we do not advocate merging the responsibilities of the utilities business manager with those of the town accountant or school business manager.

Because technology decisions have town-wide impact, the technology director should report more appropriately to the town manager, or an assistant town manager, whose office has an equally

wide perspective. For these same reasons, the MIS director should be included in financial management team meetings, as well as in general department manager meetings routinely conducted by the town manager. Similarly, the town clerk has responsibilities that expand beyond municipal finances and should be report to the town manager.

Other duties of the assistant purchasing agent include a risk management function, assembling the town report, and overseeing the purchase order (PO) system. If PO duties are reassigned, a staff person need not be appointed assistant purchasing agent or a procurement officer nor would they be involved with the preparation or review of bid documents, specifications, or schedules. Streamlining the PO system, as recommended later in this report, may clarify and ease this responsibility.

Recommendation 3: Reinstigate Employee Performance Evaluations

We recommend that the performance evaluation program previously developed for employees be resumed. It is our understanding that the town has a policy and procedure for evaluating employee performance. However, evaluations have not been completed on an annual basis for the past two years. Annual performance evaluations provide a framework for determining if employees are fulfilling their responsibilities and duties, as benchmarked in their job descriptions. Review presents an opportunity to update and ensure that job descriptions reflect what people actually do on a daily basis. The process provides employees with constructive feedback on their job performance, as well as outlines future objectives and goals. Performance evaluations also serve as a mechanism for employees to express their opinions and afford management insight into the morale of town hall.

Recommendation 4: Reduce the Number of Committees

We recommend the board of selectmen review the status of all volunteer committees it appoints. The administrative assistant to the town manager and board of selectmen lists 52 town committees with 299 total members. Some have open enrollment, which means they could expand or contract at any time depending on interest level. State law requires some committees, but the selectmen and/or town manager appoint most. The town manager is a member of 19 committees and the public works director is assigned to an equal number. The selectmen participate on numerous others. Consequently, selectmen, and in particular the town manager and DPW director, are expending a significant number of hours attending committee meetings during the evening, and responding to demands for information during the work day.

We recommend that the selectmen review the status of all volunteer committees to determine whether they advance town interests and the decision-making process. Committees that are dormant, which have achieved their purpose, or whose purpose is no longer relevant should be disbanded. Committees whose existence is justified should be reconstituted with a renewed mandate. A reporting requirement and a deadline for action should be established. For some

committees, a sunset clause is appropriate. The town manager should firmly enforce the requirements of Chapter IV, Section 2 of the town bylaws relative to committee reports.

Moving forward, we suggest that selectmen set ground rules, expectations, and reporting mandates for new committees. Although compelling reasons do arise, if a committee reports to the board, placing a selectmen among its members seems counter-productive, and not the best use of a selectmen's time. Similarly, when town officials spend upwards of three nights each week in committee meetings, as was related to us, their ability to fulfill other responsibilities and demands placed on them by the selectmen is hampered. When information from town departments is relevant to committee work, a process for obtaining it should be made clear. Circumventing that process by committee members should be discouraged. We would expect cooperation from town employees, but selectmen can make it clear to committee members that town hall staff have full-time responsibilities, and that their first obligation is to fulfill the legal requirements of their job.

Recommendation 5: Implement Use of Personnel Action Forms

We recommend that any change to an employee's personnel file relative to a status or payroll change, be documented through a personnel action form. An accounting assistant is currently responsible for entering all changes to an employee's work status or withholdings into MUNIS without management level approval. While it is acceptable for the accounting assistant to continue entering such information into the system, without written authorization from a management-level individual, an unfair burden of responsibility is placed on administrative personnel. Therefore, we advise that the town develop a uniform personnel action form as a record of an employee's status at hiring and for any subsequent changes. We further suggest that the form include signature lines for the department manager and when appropriate, the town manager (or potentially an assistant town manager), and that it be placed in the employee's personnel record. No person, including the accounting assistant, would be permitted to enter changes to employee records without a duly authorized personnel action form.

Recommendation 6: Adopt Formal Debt and Reserve Policies

We recommend that selectmen formalize policy guidelines for funding and appropriating from free cash, stabilization, and other reserves. A free cash policy should limit the amount that can be used, or establish an amount that must remain as a starting point for next year's free cash calculation. For instance, if the town chooses to direct a portion of free cash to a recurring spending purpose, then an equal amount should be retained as unexpended so that it might carry forward into the subsequent year's free cash calculation. As a matter of practice, free cash should not be made available to supplement current year operations, but would be appropriate to fund a capital expenditure, or to serve as a funding source for the ensuing year's budget.

With respect to stabilization, a policy should identify target levels in a total dollar amount or as a percentage of the total budget. Three-to-five percent of the budget is the recommended range by credit rating agencies. The policy might also specify that excess free cash or certain, recurring

income streams become a stabilization funding source. The use of stabilization might be restricted to non-recurring expenditures and only in an amount above a certain dollar threshold. As an option, state law allows communities to authorize debt exclusions to fund special purpose stabilization funds. (See M.G.L. c. 46, §14 and §50 of the Acts of 2003 which amends c 40B, §5B).

Although finance committee reserve and overlay surplus can occasionally serve as a revenue source, neither should be relied upon as a reserve. Over the course of the fiscal year, legitimate, extraordinary, or unforeseen expenditures can be paid from the finance committee reserve. At year-end, any remaining portion of the reserve can be transferred by town meeting to cover other deficits, or be allowed to closed to free cash. An annual overlay reserve should be agreed upon with input from the board of assessors and in accordance with general guidelines. If or when overlay surplus is available, additional policy guidelines should specify how that money would be spent. As non-recurring revenue, sound policy would restrict the use to one-time capital purchases, other expenditures, or let it close to free cash.

We recommend that town officials formalize a municipal debt policy. Current policy indicates that, in any year, debt service payments should not exceed ten percent of total appropriations. Payments made from debt exclusions are not included. We suggest that the selectmen, in consensus with the finance committee, adopt the debt policy through a formal vote of the board. A formal debt policy might also specify the purposes for which long and short-term borrowing will be permitted; goals for the average maturity (i.e., less than ten years) of long-term debt; and dedicate anticipated special assessment or betterment revenues to support long-term debt.

Recommendation 7: Produce Financial Forecasts

We recommend the town refine its annual revenue projections, and develop multi-year financial forecasts and quarterly projections during the fiscal year. In Ipswich, annual revenue projections are appropriately the first step in the budget process. They are also continually adjusted over time. We encourage establishing certainty in projections and minimizing adjustments. Under Proposition 2½, tax revenue can be predicted subject to conservative new growth estimates. Local receipts should be based on historical trends and anticipated economic circumstances. The use of miscellaneous revenue sources (free cash, stabilization, overly surplus, etc.) should be guided by well thought-out and sound policies that are intended to protect reserves. Finally, state aid should initially be level funded, then adjusted according to the Governor's budget (House 1 or 1A) in January, the House budget in April, and the Senate budget in May. A consensus on initial projections should be reached among the selectmen, school committee, and finance committee in a fall joint meeting. Even with adjustments to state aid, through the release of the Senate Ways and Means budget in May, there should be no expectation by department managers of additional revenues in the fall to supplement already approved budgets.

Long-range financial forecasting presents spending obligations beyond one year in the context of future estimated revenue. Analysis of the ongoing relationship between the town's revenue and expenditure trends will assist decision-makers by allowing them to anticipate the

financial future of the town in an informed and thoughtful way, and to plan accordingly. In addition, forecasting permits the town to quantify the long-range fiscal impact of proposed policies and initiatives before final action is taken.

During the course of a fiscal year, the town should also complete quarterly projections. Using the accountant's expenditure and revenue reports of activity to date, the town should review and adjust projections from that point forward to the end of the fiscal year. In this way, if problem areas are identified, adjustments can be made. Moreover, if financial gains are projected, decisions on the use of excess funds can be made.

For additional information and assistance on forecasting, see the Division of Local Services, [Forecast Revenue and Expenditure Best Practice](#), as well as the [Revenue and Expenditure Forecasting Tool](#). These useful tools will assist the town manager and finance director in developing a meaningful and manageable forecasting practice.

Recommendation 8: Formalize the Capital Planning Process

We recommend the formation of a capital improvement planning committee. The five-year capital improvement plan (CIP) just recently created by the town manager establishes a sound foundation for a formal long-term program. Moving forward, we offer the following recommendations:

1. In addition to a minimum qualifying cost for capital funding, an item or project should have a minimum life span requirement of at least three years.
2. Department managers should prioritize requests more comprehensively rather than by implementation year alone as outlined in the CIP, and should measure each request against specific objective criteria. Operational impact and a recommended funding source are already included on the request form. However, other useful information might include whether a project is legally required, presents health or safety risks if not completed, results in the loss of grant or reimbursement money if not approved, or was deferred from prior years. Scoring projects this way results in an overall ranking of all department requests based on town-wide interests and needs.
3. For FY08, the town manager established priorities and developed a capital plan by working with department managers. While this process can work, it lacks a formal membership which can complete other tasks important to a capital program. Typically, a capital improvement planning committee would also: prepare an inventory of existing town facilities, real estate and other assets (condition, life span, utility, maintenance schedule); determine the status of previously approved capital projects; monitor approved projects; and assess the town's financial capacity (available reserves, borrowing limits).

Development of a capital program should be more than just an ad hoc process. Therefore, no matter how it is organized, we recommend that the town formalize the capital improvement program in a bylaw that specifies committee member responsibilities and timetables. For long-term continuity, a CIP should be adopted as a charter provision.

Recommendation 9: Address Other Post-Employee Benefits Liability

We recommend the town formulate a policy to address the Other Post-Employment Benefits (OPEB) liability. The OPEB unfunded liability is the cost assigned to benefits (other than pensions) already earned by public employees and distributed upon retirement. To its credit, the town is appropriating funds for an actuarial evaluation as required for FY2009 under the Governmental Accounting Standards Board (GASB) Statement 45. Thereafter, the liability must be calculated every two years. Once known, there is no further requirement. However, if a community chooses to fund its OPEB liability, as it does its pension liability, the adoption of special legislation would be necessary to create an OPEB reserve. Communities that have adopted such special acts to gain financial benefit include Needham, Lexington, Wellesley, Newton, and Arlington.

To reduce OPEB costs, the town might consider eliminating salary or stipends for part-time, elected positions that would qualify for health care benefits on retirement; eliminating present health care benefits for part-time, elected positions that receive a salary or stipend; and re-examining current benefit packages and co-pay levels for all employees. It has already adopted M.G.L. c. 32B §18 that allows a municipality to shift a significant portion of its retiree health care costs to the federal Medicare program.

Additional information regarding OPEB, and steps to reduce the size of the liability, see resources available on the Department of Revenue, [Division of Local Services website](#). In addition, the Government Finance Officers Association has published a request for proposal checklist for OPEB actuarial valuations, see [OPEB RFP checklist](#) for details.

Recommendation 10: Convert Sewer to Enterprise Fund

We recommend the town adopt enterprise fund accounting for its sewer operation. Ipswich utility accounting is established under M.G.L. c. 41 §69B for water. For sewer, a special revenue fund was created by special act (1962 c. 508) that mirrors §69B. However, under the standards of GASB 34, no matter how water and sewer activity is reported, independent auditors re-organize and analyze data on the basis of fund accounting in year-end audits for all cities and towns.

Enterprise fund accounting enables a community to identify the total cost of providing a service and to determine if rates being charged are sufficient to cover that cost. It allows payments for indirect costs to flow from the enterprise to the general fund to reimburse the town for the time spent by town employees on enterprise activities. If a surplus, or retained earnings, is certified as available (similar to free cash), it may be used to fund operating, capital, or debt service costs associated with the water or sewer operation. Retained earning funds accumulate interest, and can be methodically built-up over time to finance anticipated projects. In addition, under GASB 34, the

community is required to identify and value all of its fixed assets (capital items and infrastructure). An inventory of the age and condition of assets may be used to develop a replacement schedule for capital improvements.

Under M.G.L. c. 41 §69B and the town's special act, there is less flexibility. Any surplus funds must first be used to pay indirect costs, then they may be expended for maintenance and repair or capital purposes, and then only to reduce rates, if remaining funds exist. Whether user rates cover services is less transparent and any operating deficit could impact free cash.

To establish enterprise funds, town meeting must accept M.G.L. c. 44 §53F½. Water and sewer expenditures would remain in the line item budget, and a separate article for town meeting approval should provide general expenditure information and greater revenue detail. An enterprise fund is merely an accounting methodology and does not create a new department. Additional information can be found on the Division of Local Services website, see [Enterprise Funds](#).

Recommendation 11: Allow Payroll Entry and Eliminate Withholding Data

We recommend employee time and attendance information be entered into MUNIS at the departmental level. Several procedures exist for processing employee payroll. The accounting assistant for payroll completes earning proofs for various departments that department manager's review, sign, and return as exception reports for data entry. Fire and police submit a signed coversheet of employee hours, which the accounting assistant enters into MUNIS. The utility and school departments enter employee hours directly into MUNIS, which is then electronically available to the accountant for approval.

As an alternative, we advise that all employee hours be entered into MUNIS at the departmental level. A hardcopy summary report, with department manager signature, would be forwarded to the town's accounting assistant for review and warrant preparation. Included in the MUNIS record should be hours, on an exception basis, credited to regular, sick, vacation, or other time during the given pay period. The departments would retain all individual employee timesheets.

Relieved of data entry and verification of employee hours, the accounting assistant would be available to perform other tasks or duties assigned. The process places responsibility for the accuracy of time sheets on the employee and the department manager, where it rightfully belongs.

We recommend the elimination of individual employee withholding information from the payroll warrant. Currently, individual employee withholding detail is listed on the payroll warrant. However, this detailed employee information is proprietary, and should be securely retained in personnel files, available only to legally authorized individuals.

In order for selectmen to fulfill their legal obligation to review the payroll warrant, and to provide necessary detail for checks to be issued by the treasurer, it is sufficient that the warrant include a list of employees by name and by department with account numbers, gross or net salary amounts due each employee, and a list of withholding by category (i.e., federal income tax, state income tax, union dues, etc) with aggregate totals for all employees. This information can be incorporated into the warrant or listed separately as an attachment.

Recommendation 12: Alter Purchase Order System

We recommend the town increase the purchase order threshold from \$250 to \$1,000 and streamline the approval process. A purchase order (PO) system places an encumbrance on a departmental budget line item prior to expenditure. It can also ensure compliance with state procurement rules under M.G.L. c. 30B (i.e., a purchase over \$5,000 requires three quotes, and a purchase over \$25,000 requires sealed bids). However, unless departments are habitually and flagrantly overspending their appropriations, or ignoring procurement rules, the system is unnecessary. In Ipswich, a PO threshold of only \$250 substantially increases staff workloads, and approvals from the department manager, the assistant purchasing agent, the finance director/accountant, and the town manager, slow the process. As structured, the PO system reflects unusually tight control and close monitoring of departmental spending.

With town meeting approval of the annual budget, department managers are authorized to expend their respective appropriations as of July 1. Checks and balances are built into the verification process completed by the accountant after goods or services are received, and before invoices are placed on the vendor warrant. The accountant reviews the invoice and certifies that funds are available to cover the cost, that the purpose is consistent with the intent of the appropriation and that no fraud is evident. Clarifications can be sought, but if criteria are met, a department manager's spending decision cannot be reversed.

If a PO system is favored, we recommend that the threshold be raised to \$1,000. With the departure of the assistant purchasing agent and the addition of an assistant accountant, it may be reasonable that PO requisitions run through the accountant's office, so that the verification process, procurement compliance, and the need for a written contract can be determined simultaneously. We recommend that the new assistant accountant be assigned requisition review responsibility.

The town manager, as well as the accountant and department manager can still review on-going spending levels and address problem line items in the budget through a review of monthly expenditure reports.

Recommendation 13: Modify Utility Collections

The utility commitment, which combines water, sewer, and electrical charges on one bill, is prepared by the utility department staff and is committed by the selectmen, as commissioners, back to the utilities department. Each month, approximately 7,800 bills are mailed to all customers by the town's outside billing service RELYCO, which is contracted for approximately \$47,000 annually. User payments are received by mail at the town's lockbox service or over the counter at the utility department. When over-the-counter payments are received at the collector's office, they are forwarded to the utility department to be counted, deposited, and posted. If a payment received at town hall matches the billed amount, it is forwarded to the lockbox via FedEx. Conversely, if a mismatched payment is received at the lockbox, it is forwarded to the utilities department for processing.

We recommend that the utilities department analyze the comparable costs and benefits of quarterly utility billing. Although the department has the technology to read meters and issue bills each month and though a lower monthly utilities bill may be preferred by some residents, monthly billing may represent a higher cost to the town in dollars and staff productivity. On a quarterly payment cycle, the number of bills processed and mailed each year would decline by three-quarters. This may translate into savings in the town's current contract with RELYCO. In town hall, staff time devoted to processing utility payments would also decline by three-quarters as would charges from the lockbox service due to lower annual volume. As a result, staff would be freed up to perform other tasks. The town can continue to receive monthly revenue as desired, by billing one-third of the total users each month of the quarter. This way, instead of processing 7,800 bills each month, 2,600 bills would be processed monthly with no loss in cash flow, other than in the transition months. Alternatively, 7,800 bills could be sent in the first month of each quarter for the preceding three-month pay period.

We recommend the town separate responsibility for creating the utility bill commitment from the collection function. As a matter of internal control, staff responsible for determining payments due the town should not also be charged with collecting those payments. This is why the assessors' create then transfer the real estate tax commitment to the collector to receive payments. Motor vehicle excise commitments are treated the same way, and so should utility billing. Presently, the utility department creates the water, sewer, and electric commitment and, at the same time is responsible for receiving and posting utility payments. As an alternative, we recommend that if utility bill payment amounts are determined in the utility department that the commitment should be to the collector. Therefore, all payments or payment information from the lockbox would be received and posted by the town collector. A shift in staff from the utility to the collector's office may be appropriate.

Recommendation 14: Seek Advice on Merger of Town Accountant and School Business Manager

We recommend the board of selectmen and school committee collaborate to solicit input from municipalities that have undertaken the merger of town accountant and school business manager. Officials in Ipswich have shown an interest in streamlining financial operations between the town and schools. To assist the Town of Ipswich in evaluating consolidated town accountant and school business manager operations, we interviewed officials and analyzed documentation from municipalities that have undertaken the combined approach. The intent of the review was to frame what questions local government officials might ask prior to consolidation, as well as throughout the process and upon its conclusion. In the scope of our review, we interviewed local officials in Barnstable, Harvard and Reading and analyzed documentation that included codifying agreements, enabling legislation, bylaws, development plans, job descriptions, and organizational charts. Our

review identified, within each of the municipalities, the fundamental elements of consolidated financial operations, possible obstacles to implementation, and potential outcomes.

Even with varied demographics, each municipality identified similar goals and objectives for consolidation. Included was elevating professionalism in administrative offices, improving levels of communication among officials, and gaining efficiencies in operations. In addition, each municipality pursued parallel means of codification through a memorandum of understanding, because of its simplicity in execution and flexibility in structuring the arrangement between the town administration and school department. Although, the memorandum informally binds parties it demonstrates an essential level of trust.

Each municipality deployed a plan to restructure school and town operations into a unified finance department. It is important to note that those holding the position of finance director were perceived as having a high capacity to learn and adapt to the new role. Their level of knowledge and experience was considered a key element to success. All three municipalities met or exceeded their initial goals and identified objectives. Furthermore, in all three circumstances, it appears that additional, non-anticipated improvements resulted from the consolidation, including accurate budgeting, effective use of financial tools, and transparency in spending.

All together, our findings identified four characteristics within each municipality that most contributed to a successful conversion. These were leadership, trust, competence, and position vacancies. An effort to consolidate financial operations is more likely to fail without each element. Leadership, especially in the positions of town manager and superintendent, was critical to acquiring necessary buy-in from all parties, and for moving the process forward. Also fundamental was the ability of the board of selectmen and the school committee, as well as management and staff, to work together, to trust one another, and to work toward unified goals. This collaborative spirit facilitated a broader, town-wide perspective for decision-making. Moreover, position vacancies in key functions, such as school business manager, facilitated the process by allowing roles and responsibilities to be absorbed more readily. Lastly, individuals need to possess the necessary skills to be competent in their new roles.

Chart I. on the following page is a consolidation experience matrix that details each local government's purpose/goal for consolidation, critical factors for implementation, authority, and key improvements.

Chart I: Consolidation Experience Comparison

Municipality	Purpose/Goal	Critical Factors for Implementation	Authority	Key Improvements
<p>Barnstable Population: 47,826</p> <p>Total Budget: \$150,696,853</p> <p>School Enrollment: 5,980</p>	<p>“To improve the level of financial services provided to all departments, elected officials and citizens of the town without increasing the cost of providing those services”</p>	<ul style="list-style-type: none"> ▪ Unequivocal support from the board of selectmen, school committee, and town and school management ▪ New superintendent of schools ▪ Site based school management initiative ▪ Vacancies in key positions 	<ul style="list-style-type: none"> ▪ “Memorandum of Understanding Between the Municipal and School Elected Bodies” ▪ Massachusetts General Laws Chapter 71: Section 37M. Consolidation of administrative functions with city or town 	<ul style="list-style-type: none"> ▪ Accountability in financial services ▪ Transparency of financial information
<p>Harvard Population: 6,074</p> <p>Total Budget: \$19,825,208</p> <p>School Enrollment: 1,260</p>	<p>“To bring professional school and town management services to the municipality through a cooperative and cost effective management plan”</p>	<ul style="list-style-type: none"> ▪ Willingness between school superintendent and finance director to consolidate services ▪ Trust between the school and town leadership that services would be provided ▪ Use of same financial management software ▪ Finance Director’s knowledge and experience 	<ul style="list-style-type: none"> ▪ “Memorandum of Understanding between the Harvard Board of Selectmen and the Harvard School Committee” ▪ Special Legislation: Chapter 85 of the Acts of 1993 as amended by Chapter 218 of the Acts of 1998 	<ul style="list-style-type: none"> ▪ Efficient Organization ▪ Consolidated Oversight ▪ Enhanced communication
<p>Reading Population: 23,164</p> <p>Total Budget: \$81,947,786</p> <p>School Enrollment: 4,175</p>	<p>To consolidate financial services into one department in order to provide for more effective management and gain efficiency in operation</p>	<ul style="list-style-type: none"> ▪ Knowledge and experience of managers, longevity in position ▪ School site based management approach, principals treated as departments ▪ Strong interpersonal communication and relationships between school and town officials ▪ Flexibility of managers to assume new role 	<ul style="list-style-type: none"> ▪ Memorandum of Understanding: “Budget Agreement between the Reading Board of Selectmen and the Reading School Committee 	<ul style="list-style-type: none"> ▪ More accurate budget ▪ Improved financial tools ▪ Transparency in spending ▪ Collaboration among town officials

Technology

The management information systems (MIS) department consists of the full-time MIS director, who has been in the position for seven years, and one newly appointed part-time (15-hours) assistant. Additional support is provided on a limited basis through a \$3,000 per year contract with Focus Technologies Solutions Inc., and through vendor support agreements with MUNIS and Patriot Properties. A new technology committee, whose members consist of a mix of town officials, was formed earlier in 2007 to provide guidance. The MIS director reports that he spends approximately six additional hours per week working on town issues from his home.

The department maintains all computer hardware and software in use at town hall, and at remote sites that include the fire and utilities department. Included are roughly 125 to 130 desktop computers and eight servers of various ages. The majority of financial office computers utilize the Windows XP operating system and are installed with MS Office Professional 2003 productivity package. Financial offices also use the MUNIS financial productivity application. All office workstations are networked and maintain common files on shared drives. All have Internet connection and email access with individual accounts. For website administration, town departments primarily use FrontPage. Initial training to a designated staff person within each department allowed offices to manage and maintain their own webpage, but the process has lapsed. New employee training is needed, but is on hold as the town reconsiders how it wishes to use its website.

Otherwise, the MIS department ensures that servers are running properly; that critical town data is backed up on a regular schedule; that infrastructure is secure and protected by anti-virus software; that system performance is monitored; and that new software and/or upgrades to existing applications are installed. Moreover, the office investigates, purchases, and installs hardware when necessary; assists network users with connection problems or general IT-related issues; and acts as liaison between software vendors and town officials.

To better track and document how MIS support is provided, the director has recently initiated a work order system. Other priorities include a plan to replace out-of-date hardware and software. Toward this end, he is developing a detailed inventory of systems and a five-year equipment replacement schedule. Stated goals also include creating greater technology self-reliance among town hall staff and increased proficiency on MS Excel and Word applications through training.

Conclusion - The MIS director is experienced and knowledgeable, appears to respond to wide-ranging responsibilities, and diligently supports requests. He also has an aggressive plan for the future. However, as in most communities the demands on technology are increasing, as budget constraints force decision-makers to seek out operational efficiencies through technology. The reaction in Ipswich has been to add a part-time staff person to the MIS department. As further recognition of the role of technology in municipal government, we recommend a title change and a shift in reporting relationships. Other steps taken by town officials would have been recommendations in this report if not recently initiated. Still, we offer comments on those initiatives.

Recommendation 15: Broaden Technology Committee Membership

We recommend revisiting the technology committee membership and staff involvement.

Earlier in this report, we raise concerns about the abundance of volunteer committees and the burden they can sometimes place on town hall staff. We also suggested that putting staff on committees could consume time better spent fulfilling job responsibilities. However, in the instance of a technology committee, we suggest a membership that includes residents, as benefits can be derived.

First, staff input into technology issues can be accomplished through financial management team meetings and general departmental manager's meetings. With this in mind, we recommend that the MIS director be included in those meeting when scheduled. A technology committee can be a resource rather than a drain on resources when its members can offer real life experience and knowledge from the field. Despite not having worked directly with municipal software applications, there are similarities in networks, hardware, and general computer capabilities. If effectively recruited, resident members can be a sounding board and a source of innovative ideas drawn from the private sector. In addition, they can communicate with the MIS director in a common language with a higher level of understanding.

Recommendation 16: Produce Reports on Technology Activity

We recommend the MIS director produce monthly or quarterly activity reports. To the MIS director's credit, he has initiated a work order system. A work order system is an effective tool for organizing and scheduling responses to support requests from town departments. The work order form ensures that needed information for an effective response is provided, and places some responsibility on employees to be specific about their requests. The system also creates fairness. Exceptions will occur, but attention to earlier dated requests is an easy concept to understand. The MIS director also plans to make the work order system a database to log how MIS department time is spent.

We support this intent and suggest that the MIS director produce monthly or quarterly summaries of work orders for the benefit of the town manager and finance committee. The reports will reflect how the MIS director, part-time staff, and outside consultants spend their time. Because work is frequently interrupted by the need to "put out fires," it is not uncommon for technology staff to know they are busy, but struggle explaining what exactly they are doing. The tracking and documenting on how time is spent will help. In the end, when demands for technology support can be defined and quantified, decisions on where to invest resources become more clear and can be planned.

Recommendation 17: Make Decisions on Website Management

We recommend the town manager and MIS director move forward on website management decisions. Today, 24-hour access to a municipal website helps reduce paperwork, free-up staff time,

provide easy access to information, and can reduce over-the-counter services provided. A website is a self-service avenue for residents. In addition, because government is continually being asked to do more with less, a municipal website can play an increasing role in fulfilling that expectation.

The current Ipswich website contains useful information for visitors, such as an online payment center for tax bills, property assessment data, a calendar of events, meeting minutes, and various reports and other publications. However, content is not necessarily current and the design is difficult to navigate, and information is not always up-to-date. In addition, the site is not fully accessible to persons with disabilities.

According to the MIS director, a core question asked is who should be responsible for content? The Microsoft FrontPage application gives individual departments' authority and responsibility to keep their respective website up-to-date. However, as an alternative, there appears to be growing interest in a single devoted webmaster, but given current workloads, that becomes a difficult task for the MIS director to fulfill.

Numerous software packages are available to the town that can assist in website management. As an additional alternative, officials may want to consider contracting-out website design and management to any number of qualified firms. A cost-benefit analysis or impact statement may be deemed appropriate, and may assist to distinguish the most appropriate direction for development and management. At the very least, discussion should begin between the town manager and MIS director. Department managers, as well as the technology committee, might be consulted, if reconstituted with resident members.

Recommendation 18: Organize Technology Training for Employees

We recommend technology training and continuing education for all employees. Because the learning curve for technology can sometimes be daunting for employees, we encourage the development of a plan that advances employee training and education. Often incorporated into a technology plan, training can help employees be more effective at their jobs, produce efficiencies be it time or cost savings, boost confidence, assist to overcome technology anxiety, and advance the exchange of information electronically. During our review process, it appeared that training related to mail merge procedures and Excel might provide immediate, time saving benefits for the assistant to the town manager and selectmen and the assessors' staff.

The MIS director may find it advantageous to employ the technology committee to conduct staff surveys to assist in identifying how users might be better served by available technology and to identify what other tasks staff would like to accomplish. Data collected can be incorporated into the long-term plan technology plan.

Finance Department/Accounting

The finance director, who also serves as town accountant, has two accounting assistants, one who focuses on accounts payable and the other on payroll. Beginning in FY2008, a new assistant town accountant will join the office. The department is under the purview of the finance directorate, which includes the departments of treasurer/collector, assessor, town clerk, purchasing, and management information systems.

The finance director/town accountant has a legal obligation to oversee all financial activity of the municipality. Through the maintenance of independent records and by following well-defined procedures, the department 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 department prepares warrants; maintains a general ledger where receipts, expenditures, and all other town financial activity are recorded; reconciles cash, debt, and receivables with the treasurer/collector monthly; and produces monthly expenditure reports. Additional responsibilities include the coordination of the town budget process, various personnel tasks, the development of a five-year financial plan for the town, and any other duties governed by M.G.L. c. 41 §55-61, inclusive.

According to the finance director's FY2008 "Statement of Goals", her time is expended reconciling the general ledger, approving warrants, as well as completing tasks relating to the annual budget, and town debt service obligations. She also cited work on special projects such as the accumulation of data needed to comply with GASB 34.

Moving forward, the finance director anticipates an expanded role in the development of the operating and capital budgets, and in formulating a five-year financial plan for the town. As an additional two-year goal, the town manager has charged her with seeking to obtain the Government Finance Officers Association (GFOA) recognition for excellence in budgeting. The Distinguished Budget Presentation Award is designed to encourage governments to prepare budget documents of the highest quality to meet the needs of decision-makers and citizens.

Otherwise, goals for the upcoming fiscal year include implementing the requirements of Governmental Accounting Standards Board (GASB) Statement 45. Issued on August 2, 2004, Statement 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," (OPEB) addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits.

Conclusion - In the FY2008 Statement of Goals, the finance director stated that her ability to act as finance director and maintain the general ledger as town accountant "has reached a critical stage whereby (she) is having great difficulty keeping up with (her) responsibilities. If it were not for her ability to multi-task very well, (the town) would have been in this situation much sooner." We agree that the addition of an assistant town accountant is justified, as is the primary role for the finance director in the annual budget process. To further streamline the finance department and free-

up her time, we made earlier recommendations to shift supervision of the MIS director and town clerk to the town manager, or possible assistant town manager, and to re-allocate many of the duties of the assistant purchasing agent. Implementation of other recommendations in this report, particularly in the Overall Financial Management section, will affect the finance department, and should involve the finance director. However, our single recommendation here reflects our view that the finance department and the accountant's office in particular, function well.

Recommendation 19: Restrict Access to the General Ledger

We recommend that the treasurer discontinue posting to the general ledger. The town accountant, through the maintenance of independent records and by following well-defined procedures, documents the flow of money into and out of municipal accounts. To fulfill this responsibility, the accountant maintains, and is entrusted with, a general ledger where receipts, expenditures, and all other town financial activity are recorded.

Currently, the treasurer posts receipts directly to the general ledger. Even when the treasurer confirms entries, the ability of a person outside the accountant to post to the general ledger deviates from accepted practice. Although this function is viewed as a convenience for both offices, it weakens checks and balances.

Instead, the treasurer/collector's office should continue to enter receipts into MUNIS, but refrain from actually posting to the general ledger. The general ledger needs to remain in the control of the accountant, and only after a review and verification by the accountant, should entries be approved and posted. Verification is accomplished when the accountant compares the entries in MUNIS by the treasurer/collector's office to a copy of the turnover sheets prepared by the department.

Treasurer/Collector

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 town collector possesses the authority to collect all monies due the community including taxes, excises, betterments and certain other charges under M.G.L. c. 41, §38A. 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. In Ipswich, the positions of treasurer and collector are combined.

The treasurer/collector is appointed by the selectmen, and the current office holder was recently re-appointed to a second three-year term. Full-time staff includes an assistant treasurer/collector with two years in the position, and a senior clerk. It is important to note that the office had a recent reduction in staff. A senior clerk has not been present due to a scheduled long-term absence, as well as a department reorganization that resulted in the loss of a second clerk.

The office is located on the first floor of town hall just inside the main entrance where members of the public pay bills, purchase beach stickers, and conduct other business. The department's counter is equipped with two desktop computers where public transactions are entered. The office processes approximately 6,000 beach stickers and 350 fishing stickers for parking. Beach stickers, which are only available to residents, are managed through Microsoft Access. MUNIS software is used to post real estate, personal property, motor vehicle excise, and boat excise. The treasurer/collector's cashbook is maintained in Quicken, while a cash flow budget is on Excel.

Real estate and personal property bills are quarterly, but two payment coupons are included with mailings twice per year. Of the 5,600 real estate bills, approximately 25 percent are collected over-the-counter, while 40 percent are directly processed via lockbox and 30 percent are received from tax escrow firms. The remaining 5 percent is processed through the online payment system on

the town of Ipswich website. Generally, about 16,300 motor vehicle excise bills are mailed annually, of which the treasurer/collector office receives approximately 25% over-the-counter.

For property taxes and motor vehicle excises, only cash payments and payments where check amounts do not match the amount billed are processed in town hall. In preparing a deposit, an adding machine tape is run on cash and checks usually by a cashier. The total is then reconciled to a report from MUNIS based on amounts posted from the bills. The assistant treasurer/collector duplicates this process. The collector's receipts are deposited directly into the treasurer's bank account. However, in a divergence from standard practice, no paper trail in the form of a turnover sheet, which would also be submitted to the accountant, documents the transfer of funds from the collector to the treasurer. In addition, contrary to accepted practice, the treasurer/collector is approving and posting receipts directly to the general ledger, which is an accountant's responsibility.

Essential to checks and balances, the treasurer/collector maintains both a cashbook and a receivable control, and reconciles cash and receivables with the accountant on a regular basis. Otherwise, with approval of payroll and vendor warrants, checks are printed and distributed by the treasurer/collector. In both cases, checks are withheld by the treasurer/collector's office until the town manager signs warrants authorizing payment. Blank checks and the treasurer's signature stamp are securely housed within the treasurer/collector office.

Conclusion - Overall, the treasurer/collector and assistant treasurer/collector are knowledgeable, are crossed-trained, and fulfill the responsibilities of the office. The office is presently understaffed due to a loss of a position and an extended absence, but financial controls remain in place. This is a tribute to the willingness of the treasurer/collector and assistant treasurer/collector to complete whatever tasks are necessary to keep the office running. However, until the return of the senior clerk, we would encourage the town to seek ways to avoid increasing the workload of the office. Accordingly, the recommendations offered are intended to maintain checks and balances and to safeguard payments made to the department.

Recommendation 20: Prepare and Submit Turnover Sheets

We recommend the use of turnover sheets to document the transfer of receipts from the collector to the treasurer. Even though the treasurer and collector are a combined office, and collector's receipts are deposited directly into the treasurer's bank account, money passing from the collector to the treasurer must be treated as a turnover. To create a paper trail for cash reconciliation and for annual audit purposes, a turnover sheet completed by the collector must be presented to the treasurer with a copy to the accountant. The turnover sheet represents an independent statement, which the accountant can use to verify that receipts entered into MUNIS by the treasurer/collector are accurate prior to posting to the general ledger.

Recommendation 21: Discontinue Collections Verification by Assistant Treasurer/Collector

We recommend that the assistant treasurer/collector discontinue his verification of daily collections, as it is a duplication of effort. To date, upon receiving payment at the treasurer/collector window, staff enters the amounts into MUNIS. Separately, an adding machine tape of corresponding checks and cash is run, as preparation for making bank deposits. Staff reconcile the MUNIS report of receipts against the tape totals and, if they match, create a batch for deposit. As a further check, the assistant treasurer/collector reviews the merged batch for correctness against the tapes. This is an unnecessary duplication of effort.

Reconciling the MUNIS report of posted amounts to totals indicated on tapes is an accepted and sufficient check and balance prior to depositing funds. If a clerk misposted in MUNIS or errs on the deposit tapes, the discrepancy would present itself when compared and it would be corrected.

Recommendation 22: Mail Real Estate Payments via Secure Shipping Service

We recommend the treasurer/collector's office discontinue sending real estate payments via United States Postal Service to the lockbox. Currently, real estate tax payments received at town hall, either over-the-counter or by mail, where the invoice and check payment match, are mailed to a lockbox service for processing. Although we would encourage all payments to be processed upon receipt at the treasurer/collector's office, we understand that at least for now, due to limited staffing, that payments are forwarded to the lockbox. The intent of this recommendation is to encourage the use of a more secure shipping service whereby packages are signed for upon receipt and can be tracked electronically by staff if problems arise.

Assessing

A three-member board of assessors appointed by the town manager guides the assessing office. The office is responsible for valuing all real and personal property, assigning tax payments to owners, and generating the commitment authorizing the treasurer/collector to collect real estate tax and motor vehicle excise payments. The office utilizes the most recent version of mass appraisal software offered by Patriot Properties and Microsoft applications, but has limited access to the town's Geographic Information Systems (GIS).

The volume of work in the assessors' office involves valuing roughly 4,700 residential real estate parcels, 250 commercial/industrial accounts, and 428 vacant or developable parcels. There are an additional 500 personal property accounts. All are billed on a quarterly basis. In addition, there are roughly 13,000 registered motor vehicles with a total excise of \$1,990,000. In fiscal year 2006, the office issued approximately 60 residential and 27 commercial abatements, and issued about 130 personal exemptions. The total liability to Ipswich for abatements and exemptions averages around \$113,000 over the last three years.

The board of assessors' in Ipswich is a working board that meets on Monday evenings throughout the year for about three hours. The assessing board chair, with over 20 years in the position, serves as the town's full-time chief assessor and oversees day-to-day operation of the department. Qualified board members, one of whom is the chief assessor in West Newbury, support him. The board sets the overlay, and fulfills its responsibilities in the completion of the town's Tax Recapitulation Sheet for submission to DOR for tax rate approval. The chief assessor inspects building permit properties and limited sale properties. He also enters changes into property records maintained in the Patriot software. When abatement denials are appealed, the chief assessor represents the town at Appellate Tax Board hearings. Patriot Properties has been engaged to conduct the town's revaluation in 2010 for commercial, industrial and personal property and to complete a measure and list of all property.

Otherwise, one full-time principal clerk, and one part-time (20-hours) clerk perform day-to-day office functions. They create, maintain, and update property records with information received from deeds and plans, and process abatement and exemptions. They process the motor vehicle excise bills and assemble property records for use during inspections. Staff also mail sale questionnaires upon a sale, and mail income and expense request forms once every three years. The principal clerk also devotes time to updating property files with new photographs.

Conclusion - The office structure, where a board member serves as the full-time day-to-day department manager is seen infrequently, and would usually prompt a recommendation for change. However, in Ipswich, the system works primarily because board members have municipal assessing credentials. Should the selectmen fail to appoint an equally qualified person when a board vacancy occurs, we would advise a separation between the board members and daily management of the office.

Recommendation 23: Inspect all Sale Properties

We recommend the assessing office include all sale properties in their inspection schedule. Sales analysis provides evidence of market trends, which form the basis of property assessments, annual adjustments to value, and on-site inspections of sale properties, represent the best means of gathering quality up-to-date information.

The town averages approximately 125 sales each year and typically, sale questionnaires are mailed, but not all sales are inspected. On-site inspections, at the very least, should occur as soon after a sale takes place to allow the assessors' to identify property improvements that typically occur just before and after a new owner takes possession. Sale properties are sometimes upgraded without a permit or allowed to deteriorate to an extent that the assessors' files do not accurately reflect the current characteristics or condition of the property.

Therefore, we recommend that all sale properties be inspected on an annual basis. If the chief assessor or other board members do not have the time, engaging Patriot properties to accomplish this task could be explored.

Recommendation 24: Mail Income and Expense Surveys Annually

We recommend that assessors' mail income and expense surveys annually. Income and expense information returned by rental property owners is essential data for annual property valuation adjustments and for triennial revaluation. To help increase the survey response rate we suggest that the assessors' mail surveys annually, rather than every three years. If business people see the survey more frequently, and see evidence of confidentiality, they may become more comfortable with the process and more disposed to respond. Toward this end, the assessors' might also explore collaborations with the Ipswich Regional Chamber of Commerce and Industry, commercial and industrial real estate brokers and appraisers, and other local business associations to educate and more effectively approach property owners for gathering market data.

Recommendation 25: Utilize Geographic Information System Technology

We recommend that the town expand the use of the Geographical Information System (GIS). Currently, the town's GIS database includes town engineering and utility department data. However, when in full use, GIS typically incorporates assessors' property records and any other information from town offices that work with real property, infrastructure, or the natural characteristics of the town. Therefore, we advise that the town explore expanding its utilization of the GIS database to the assessors' department, at the very least.

Converting existing records for use in the database often requires extensive work before benefits can be fully realized. Using and maintaining an up-to-date system will require converting existing records and plans into a digital format. It may also require staff training. However, use by multiple departments can help justify any additional costs.

Some of that cost can be avoided if the planning department could forward plans to the assessing office electronically for the purposes of record keeping and map updating. The electronic submission of plans is becoming a more frequent practice in municipalities as a cost-effective measure. Savings are realized because the town no longer has to pay for hard copy conversions to electronic format in order to update records, or the GIS database when utilized. Therefore, we encourage the assessors' to work with the planning department on requiring applicants to submit all subdivision and other plans in electronic format.

Acknowledgements

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