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City of Lowell

Financial Management Review

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INTRODUCTION

At the request of the Lowell City Manager, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review of the city.

We have based our findings and recommendations on site visits by staff members of the Municipal Data Management & Technical Assistance Bureau (MDM/TAB), the Bureau of Accounts (BOA), and the Bureau of Local Assessment (BLA). During these visits, the staff interviewed the city manager, mayor, city councilors, the city solicitor, assistant city managers, the chief financial officer, treasurer/collector, city auditor, board of assessors, chief information officer, human relations manager, city clerk, and other municipal office staff.

DLS staff examined such documents as the tax rate recapitulation sheet, annual budgets, audits, cash and receivables reconciliation reports, and statements of indebtedness. The city also provided us with warrants, debt schedules, the city charter and ordinances, various job descriptions, and other assorted financial documents.

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

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

EXECUTIVE SUMMARY

Located on the banks of the Merrimack and Concord Rivers north of Boston, Lowell is about 14 square miles with a population of 103,111 persons (2005 estimated US Census), which makes the city the fourth largest and fourteenth densest community in Massachusetts. The city's 2006 equalized property valuation (EQV)/capita is \$70,461, well below the statewide average of \$154,904. Lowell's 2006 unemployment rate is 6.4 percent, higher than the statewide average of 5 percent, and the city's 1999 income/capita is \$17,557, which is about 68 percent of the statewide average of \$25,952.

Most of the land that currently makes up Lowell was acquired by a public company founded by Francis Cabot Lowell, the city's namesake. The location was selected to build a planned industrial community because of the available waterpower from the rivers. Lowell was incorporated as a town in 1826 and quickly developed into a large manufacturing center for textiles, attracting other businesses and a large influx of immigrant workers to locate there. Because of the success of this development and population growth, Lowell quickly became a city in 1836 and was the second largest city in New England by 1850.

When the city's industries were prosperous, so too was Lowell. Conversely, with the decline of the textile manufacturing during the early 1900s, Lowell experienced economic hardships. Properties became vacant and blighted, jobs were scarce, former residents migrated elsewhere, and the city's infrastructure was deteriorating. By 1960, Lowell was experiencing serious economic problems.

In an effort to revitalize itself, Lowell was one of the first communities to make use of federal urban renewal funds, which enabled the city to reclaim, by eminent domain, private property for civic projects. Generally, Lowell took rundown and poorer sections of the city and built new housing developments. While many properties were razed and redeveloped, some of the original mills and boarding houses were saved and renovated into commercial spaces and housing. Because of the city's prominent historical role in the American Industrial Revolution, Lowell was declared a National Historic Park in the late 1970s and some original structures were developed into museums.

Contributing to Lowell's recovery in the 1970s and early 1980s, two local colleges were merged to create the University of Lowell (renamed the University of Massachusetts in 1991). The university attracted students from the region to study and live there. Given its location and educational mission, the university also served a vital role in the developing new regional technology industries. One company in particular, Wang Laboratories, a producer of minicomputers, was headquartered in the city, drawing upon the resources in Lowell and the Merrimack Valley.

Unfortunately, Lowell's revitalization was interrupted beginning in the late 1980s. At that time, the state was experiencing an economic downturn, including increasing unemployment and falling property values. These factors contributed to budgetary problems for the state as well as communities, which endured state aid cuts between FY1990-FY1992. Complicating this situation for Lowell was the growing market for personal computers instead of minicomputers. Unable to adapt to this changing market, Wang Laboratories folded, leaving a huge void in the city's landscape and economy.

By the end of FY1991, Lowell's finances were in serious trouble. Property values and new construction had declined and the city was levying to its property tax limit. Because the city's state aid had declined almost \$5 million since FY1989, Lowell aggressively estimated its local receipts and drew down its reserves to balance the operating budget, which contributed to the city's negative free cash certification (as of 7/1/91) of over \$4.46 million. Yet despite these factors, there was a general reluctance to cut services and Lowell ended up with accumulated deficits of nearly \$13.2 million by FY1992.

Without resources to address its fiscal situation, Lowell had to get special legislation (Chapter 17 of the Acts of 1992), which authorized the city to issue up to \$15 million in deficit bonds to be paid back over 10 years. As a condition of this special act, a finance advisory board, made up of three state and two local appointees, was created to review and approve all city appropriations, transfers, and debt authorizations. For three years, the Lowell Advisory Board existed. Under its oversight, tough decisions were made, Lowell's budget was balanced annually based on realistic revenue estimates, and the city's management practices were overhauled. By FY1997, Lowell's free cash was certified at over \$3.6 million, and the city levied almost \$2.7 million below its available property tax levy limit.

Having returned to fiscal stability from the brink of destruction, Lowell's prosperity grew over the years that followed. The resurgence of the area's technology industry and the growth of new service industries once again revitalized the downtown. Lowell's Tsongas Arena and LeLacheur Stadium, home to professional affiliate hockey and baseball teams, attracted visitors and other economic development to the community. Even the housing market blossomed, attracting home buyers that were unable to afford area suburban prices. By FY2003, Lowell's free cash was certified at a high of over \$17 million, it had unused levy capacity of over \$10 million, and the city bond rating was upgraded to A2 by Moody's Investors Services, a bond rating agency.

At about this time, the state once again had fiscal problems as a result of an economic downturn that translated into state aid cuts for Massachusetts' communities. Lowell was able to weather the FY2003 mid-year state aid cuts, but going forward the city did not adjust its spending patterns or make budget cuts necessary to live within its available recurring revenues. Instead, Lowell aggressively estimated its local revenues and used its reserves to fund the operating budget, repeating its mistakes from the past.

As a result, problems began surfacing in FY2006. During the tax rate setting process, it was discovered that Lowell made an accounting error, double counting almost \$2 million in school building authority funds. To balance the budget, Lowell opted not to make any budget cuts. Instead, the city requested an update of its free cash and used its available reserves to fund operating expenses. Consequently, because of these accounting and budget issues, the Director of Accounts informed Lowell officials on January 3, 2006 that a completed FY2006 audit must be submitted and reviewed prior to setting the FY2007 tax rate and before certifying free cash as of July 1, 2006. A few months later, Moody's Investors Service's downgraded Lowell's bond rating from A2 to A3, citing the use of one-time reserves for operating purposes and the city's deteriorating financial position.

At the beginning of FY2007, the city council hired a new city manager. Upon taking office, the city manager conducted a review and analysis of Lowell's budget and finances. He concurred with DLS' and Moody's concerns about the multi-year drawdown of reserves to fund the city's operating budget as well as a lack of long-term financial planning or fiscal policies to ensure Lowell's fiscal stability. More importantly, the city manager estimated that Lowell had a FY2007 budget gap of \$8 million.

The city manager immediately began addressing the city's budget gap only to be confronted with additional issues. First, there was turnover in two key financial positions, the chief financial officer (CFO) and the city auditor. There was a brief vacancy in the CFO's position, but the manager was able to cope. Once hired, the new CFO worked with the manager to develop a comprehensive proposal to close the budget gap. The proposal included a combination of budget cuts, fee hikes, and a property tax increase, which was reviewed and adopted by the city council in December 2006. The resignation of the auditor, on the other hand, was a more serious issue because of the urgency to complete the independent audit prior to setting the FY2007 tax rate. There was an assistant auditor, who was knowledgeable in daily operations; however, she lacked experience preparing financial statements for the independent auditor. So, the manager hired an acting auditor, who served the city for six-weeks until the new auditor started, assisting in the FY2006 audit and helping to get the FY2007 tax rate approved by DOR.

In December 2006, the city received correspondence from the Massachusetts Commissioner of Education that Lowell had not met its FY2006 spending requirement, thus failing to comply with the Education Reform Act of 1993. An estimated \$2.47 million carryover amount was added to the city's FY2007 spending requirement. This resulted in a FY2007 shortfall of over \$2.96 million (or 2.1 percent) and marked the eleventh consecutive year that the city failed to budget its net school spending requirement. Because of the lack of available resources, the school's FY2007 appropriation was not increased in response to this news; however, the city plans on addressing it in the FY2008 budget plan.

And lastly, Lowell received the preliminary results of 14 school construction audits from the Massachusetts School Building Authority (MSBA). The audits found that the city had over \$13.6 million in costs that were ineligible for reimbursement from the state, which the city is appealing. If the MSBA board approves the audit results, they will have a significant impact on the city's already fragile finances. Beginning in FY2008, Lowell would receive over \$3.65 million less than currently anticipated, a reduction in revenue that the city would be hard pressed to make up.

Currently, the city officials are closely monitoring financial activity and are focusing on the long-term needs of Lowell. To the city's credit, Lowell ended a longstanding practice of paying health benefits for members of Lowell's boards and commissions. It is estimated that the city will save about \$400,000 annually. The city manager and CFO prepared a multi-year forecast, drafted reserve and debt policies, and distributed revenue and expenditure reports to city councilors. Realizing Lowell's financial situation, the manager, CFO, and auditor are scrutinizing the current budget regularly, analyzing year-to-date activity and developing year-end projections. They also are preparing the FY2008 budget and made a presentation to the council on the many difficult fiscal issues facing the

city. The city manager also requested that the Department of Revenue (DOR) conduct a comprehensive review of Lowell's financial practices.

In reviewing Lowell's financial operations, DLS looked at the city's organization, policies, and practices. To improve coordination and accountability, we recommend that Lowell consolidate the city's financial offices into a finance department and that the CFO conduct periodic financial officers' meetings that include the auditor and school business manager. We recommend that the financial offices pursue outstanding amounts, reconcile cash receivables timely, review special revenue accounts, and perform additional assessing inspections and other activities in-house. We also recommend that Lowell expand its use of automated systems and provide computer and professional training. Furthermore, we recommend that the city consider changes to its personnel/payroll system, abbreviate its budget authorization format, modify the purchase order process, and adopt enterprise accounting for all business like activities.

Overall, the recommendations in this report are based on best management practices that encourage efficiencies, checks and balances, and accountability. These recommendations will build on the recent momentum to rebuild Lowell's fiscal stability. With well-trained staff and good practices in place, Lowell will be able to regain control, plan for the future, and position itself for whatever lies ahead.

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OVERALL FINANCIAL MANAGEMENT AND BUDGETING

During the course of our review, we looked at the city's overall management. Included were Lowell's governmental structure and ordinances, the budget and financial practices, and personnel procedures and policies.

OFFICE STRUCTURE

In accordance with M.G.L. c. 43, Lowell has a Plan E city charter. There is a nine-member city council that is elected every two years, which serves as the legislative body. Within the council membership, a mayor is elected. The mayor presides over council and school committee meetings, is the official head of the city for all ceremonial purposes, but does not have veto power. The council appoints a city clerk, a city auditor, and a city manager, who is the chief administrative officer of the city. The city manager is responsible for the administration and financial oversight of the city, including all departments and non-elected boards and commissions. The city manager appoints staff responsible to him, prepares the annual budget, and keeps the council informed.

Appointed by the city manager, Lowell has a chief financial officer (CFO). The CFO participates in the development and evaluation of the operating, debt, and capital budgets; coordinates the city's financial planning policies and procedures; and advises on any long-range needs. The CFO does not appoint, but supervises staff from the budgeting, treasury/collecting, assessing, and purchasing departments, as well as the city messenger's office (facilities). The CFO also oversees the city's insurance programs, represents the city in labor hearings and negotiations, and serves as an ex-officio member of the Lowell Retirement Board. While the financial offices' general duties are codified in the city's ordinances, the CFO's responsibilities and oversight are found only in his job description.

BUDGET POWERS

Lowell's budget process commences just after the first of the calendar year. The manager and CFO develop initial revenue estimates and distribute budget guidelines for departments to prepare the ensuing year's operating requests. The requests are reviewed and consolidated into one report, and the revenue figures are updated. A balanced proposal is submitted to city council, which conducts hearings, deliberates, and then adopts the budget in June.

In reviewing Lowell's historical budgeting practices, we found that the line-item appropriations approved by council are very detailed. This format places limits on department heads in managing their budgets and increases the need to submit transfer requests to the city council. During the budget process as well as throughout the year, the city's administration attended the council's meetings and responded to inquiries. The manager, CFO, and auditor, however, did not provide routine financial information such as revenue and expenditure reports or other analyses (e.g., revenue and expenditure forecasting), which would have indicated the financial status of the community, until recently.

PURCHASE ORDER SYSTEM

Lowell requires a purchase order (PO) for all expenditures. A department enters a requisition in the city's computerized financial management system and sends it to the CFO for city purchases (and the superintendent for school purchases). Once initial approval is granted, the requisition is forwarded to the purchasing department. Purchasing reviews the electronic submission for compliance with procurement and bidding laws, but still requires a signed paper version with quadruplicate copies of any attachments. The legal department writes a contract for all purchases over \$5,000.

Once approved, the requisition is sent to the city auditor's office, which encumbers the funds and creates the PO. Purchasing then prints five copies and distributes them to the appropriate parties. If a partial shipment is received, the department must fill out a separate form, entering the purchase order information and details of the shipment, print it on blue paper, and send it to the purchasing department. If a complete shipment is received, the yellow (receiving) purchase order copy is signed and dated and sent to the purchasing department. All invoices from vendors are mailed to purchasing, which matches them to the receiving copies and notifies the auditing office that payment may be made.

ENTERPRISE FUNDS

Lowell operates a number of business-like activities that include water and sewer services, an arena, a solid waste system, and six parking facilities. Currently, only the sewer service and the arena are operated as enterprise funds (M.G.L. c. 44, §53F½). The sewer service raises enough revenue to be self-supporting. The arena, on the other hand, is not self-sufficient, ending FY2006 with an accumulated operating deficit of almost \$890,000. As a result, the city is studying whether it should retain ownership of the facility. All other business-like activities operate inside the general fund, with any surplus or shortfall resulting from these operations closing to the general fund and included in Lowell's free cash.

AUDITS

Because of the federal Single Audit Act, Lowell has an annual independent audit performed. According to the job description of the city auditor, this officer selects the independent auditor. Generally, Lowell's audit (an examination of the financial statements, a management letter and a report on federal award programs) is completed within six months after the close of the fiscal year and is filed with DLS timely. In reviewing the recent management letters, many of the concerns raised about improper or inadequate procedures in the city's financial management have existed for years and Lowell has never formulated a plan to correct them.

PERFORMANCE REVIEWS

Job performance reviews are not conducted consistently in Lowell. By ordinance, the city manager is subject to an annual review by the council, and the city auditor's and city clerk's performance reviews are conducted by the Auditor/Clerk Oversight Subcommittee. Performance

reviews for other department heads and confidential employees also are required by ordinance, but have not been done in recent years. With the exception of the employees covered by three (of the total 14) union contracts, no other city employees have annual performance reviews.

PAYROLL SYSTEM

Lowell's payroll system is administered in-house, using an integrated module within the city's financial management system. In this module, the city can produce payroll as well as centrally account for employees' time and attendance. Currently, about 3,650 active city and school employees are paid weekly, roughly one-third of whom receive a paper paycheck, and the rest have authorized direct deposit to a bank account. Because the city has its own retirement system, an additional 1,120 retirees are paid monthly.

The city auditor's office distributes time sheets, which reflect each employee's regular hours and rate of pay. If an employee works other than normal hours or uses accrued time (e.g., sick, vacation, and personal), an exception is noted and approved by the department head. About half of the offices enter these exceptions into the city's computerized financial system at the department level and all timesheets are forwarded to the city auditor's office as confirmation. The auditor's office enters the remaining departments' exceptions, runs payroll trial balances, prepares the warrant, prints the paychecks, and forwards them to the treasurer's office to be secured until distribution. Generally, most paper checks are cashed immediately. However, some are lost, requiring the treasurer's office to void the old one and issue a new check. Others are not cashed, adding to a growing list of outstanding checks that dates back years and impacts the bank reconciliation process. As for accrued leave balance records, these are kept at the department level.

RECOMMENDATION 1: CREATE A FORMAL FINANCE DEPARTMENT

We recommend that Lowell create a consolidated finance department under the direction of the CFO through special legislation. Appointed by the city manager, the CFO should be responsible for managing the city's finances and developing its long-term planning efforts. In order to do this effectively, the CFO should have direct appointment and management control over the financial operations (e.g., treasury/collections, assessing, budgeting, and purchasing), ensuring resources are used efficiently, activities are conducted timely, and department heads are held accountable.

We recommend that the CFO conduct financial officers' meetings at least monthly that include the city auditor and school business manager. Through this group of officers, the CFO will be able to compile comprehensive financial information and present briefings to the manager, mayor, and council on topics such as the prior year's performance, year-to-date activities, and issues as they come up. This group should help develop financial analyses, explore the financial impact of future events, and offer early strategies to deal with anticipated problems. Collectively, this group also should review

financial documents (e.g., revenue and expenditure reports, balance sheet, audits, tax recapitulation sheet and apportionment of indirect costs to departments) for completeness and accuracy, and agree on submission deadlines where they apply.

As a long-term consideration, we recommend that Lowell create a day-to-day reporting relationship between the manager and auditor. The auditor has significant responsibilities, which if not done, would impact the city's operations. As such, the auditor should account for her time to the city's chief administrative officer, like every other department head, and actively participate in the manager's budgeting and financial planning processes. This reporting relationship will not impact the city council's appointment power, but will work towards Lowell's goal of improved fiscal accountability.

RECOMMENDATION 2: MODIFY THE BUDGET FORMAT

We recommend that budget line items for each department be consolidated into an abbreviated budget authorization format. Summary salary, expenditure, and capital categories grant some management flexibility to department heads by allowing them to transfer within a summary category, but not between them without council action.

RECOMMENDATION 3: ESTABLISH MINIMUM PURCHASE ORDER AMOUNT AND STREAMLINE PROCESS

We recommend that Lowell adopt a minimum purchase order amount. Communities of similar budget and population size have minimum purchase order amounts of about \$500. To change the current practice, the city would have to revise its ordinance. The city need only add the statement, "no purchase order request is required for the purchase of goods or service with a cost of less than \$500."

We recommend that the city streamline the purchasing process. The purchasing department should be responsible for obtaining the best price for goods/service and complying with state procurement laws. It is the department's responsibility to spend within the authorized amount and to submit invoices for partial or completed services to the auditor. It is the auditor's responsibility to make sure that the purchase/service submitted for payment by the department is in accordance with the terms of the purchase order/contract. This process could be accomplished without multiple, color-coded copies. Lowell also should explore establishing an authenticated electronic signature for requisitions using the city's secure financial management system, which would enable the process to be paperless.

We also recommend that the city raise the dollar threshold for requiring a written contract on purchases of materials and supplies to at least \$10,000. Having a written contract on the purchase of services has value because you would stipulate the conditions upon which the task is completed

satisfactorily and payment would be received. Generally, the expenditure of time crafting a contract for purchases of less than \$10,000 for materials and supplies is not cost-efficient.

RECOMMENDATION 4: ADOPT ENTERPRISE ACCOUNTING FOR BUSINESS-LIKE ACTIVITIES

We recommend that the city adopt enterprise funds for its water, trash, and parking operations by accepting MGL Ch. 44 §53F½. Enterprise fund accounting enables the city to account for all revenues and expenditures of a service in a consolidated fund. It enables the city to fully identify all direct, indirect, and capital costs of providing the service. As such, enterprise fund accounting would enable the city to fully demonstrate the true cost of these operations and provide information necessary to establish user fees. More importantly, the community would retain any surplus (certified by the Director of Accounts) in the enterprise that would be used to cover operating, capital or debt service costs associated with the specific fund's service.

For each service, Lowell would vote separately to accept the provisions of Chapter 44, Section 53F½ of the Massachusetts General Laws, establishing each as an enterprise fund effective as of a particular fiscal year. Because the enterprise budget includes both revenue sources and expenditure estimates, the city should vote each enterprise budget as a council order. Proper procedure for presenting and approving enterprise fund budgets may be found in DLS' [Enterprise Fund Manual](#) online.

RECOMMENDATION 5: ASSIGN AUDIT FIRM SELECTION & FORMULATE CORRECTIVE ACTION PLAN

We recommend that the council's Auditor/Clerk Oversight Subcommittee be the appointing authority of the independent auditor. In order to avoid conflicts of interest or any allegations of impropriety, the appointing authority should be independent of those who will be subject(s) of the audit. As such, the Auditor/Clerk Oversight Subcommittee, not the city auditor, should be responsible for the procurement of auditing services, determining in advance the requirements and objectives of the audit, and selecting the eventual individual/firm. The subcommittee should have direct contact with the independent auditor and monitor the audit's progress.

We also recommend that Lowell formulate a corrective action plan to address any weaknesses identified by its independent auditor and this management review. When weaknesses in a management structure are identified, a corrective action plan should be developed, indicating what actions will be taken, who will be responsible, and when the action will be completed. The city manager should monitor the implementation of the corrective action plan and periodically inform the Auditor/Clerk Oversight Subcommittee, as well as the council as a whole, of the progress. Effective use of the recommendations of the audit report and financial management review can assist the city in improving

its financial controls and practices, which may lead to increased public confidence in the government and potential upgrades in a Lowell's bond rating.

RECOMMENDATION 6: CONSIDER CHANGES TO THE PERSONNEL/PAYROLL SYSTEMS

We recommend that all payrolls be entered at the department level and that the city implement the central time and attendance module. For departments that are not entering payroll, they should be instructed to do so. In addition, all departments should be instructed to enter each employee's use of accrued time. This would enable the auditor's office to centrally manage payroll and track uncompensated balances, which must be reported at year-end on the city's financial statements.

We recommend that the city institute a personnel evaluation policy and conduct annual performance reviews for all employees. Increasingly, government is placing greater attention on written job descriptions with goals, performance expectations, and provisions for annual employee evaluations. The city should develop its own evaluation program criteria by which each employee's job performance may be measured. Based on the annual evaluation, an employee may be rewarded (i.e., step increase) for a job well done and/or given suggestions if performance improvement is warranted. In the event an employee's performance is unacceptable, the policy would provide for procedures for a probation period or dismissal, if necessary.

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

Performance evaluations may be instituted for non-union positions immediately, but will be subject to labor negotiations for other employees.

We recommend that the city adopt a biweekly payroll. With the adoption of biweekly payroll, workloads in the auditor's and treasurer's offices would be reduced, freeing time for the completion of other important tasks. Any adjustment to pay periods will require revisions to the city's ordinances and must be impact bargained.

We also recommend that the city require direct deposit of payroll for all employees. For the city, this would eliminate the cost of issuing payroll checks and prevent the need to reissue these checks when lost. It also would simplify the reconciliation of the payroll bank account because there would be no outstanding checks. The employee benefits because the money generally is deposited in the bank account overnight, is available immediately, and the time necessary to go to the bank and wait in line is avoided. This proposed change may require revisions to the city's ordinances and collective bargaining agreements.

MANAGEMENT INFORMATION SYSTEMS

Under the direction of a chief information officer (CIO), the management information systems (MIS) department consists of 10 full-time staff members. The MIS department manages and services computer systems, including servers, networks, operating systems, and software applications for most city departments. MIS is responsible for user support, training, security and virus protection, programming, backups, hardware, and maintenance. MIS also administers the city's Internet access, intranet, electronic mail system, public website, wireless connectivity, and Voice Over Internet Protocol telephone, but not the city's general telecommunications, which currently is overseen by the chief assessor.

Since FY2000, Lowell has used Munis, a fully integrated financial system. When this system was purchased, initial training was provided. Since that time, modules have been added or upgraded and the city has had staff turnover. To become more familiar with new applications or procedure changes within existing modules, some staff used the self-paced Munis training database through the city's intranet and others requested specific training from MIS. Many, however, have not sought training or assistance because they claim they do not have the available time. In these instances, some staff have found ways to get around a change/problem in Munis or have created off-system reporting/tracking systems. While these approaches may be quick fixes, they generally do not address the lack of familiarity of the new applications or procedure changes and often leads to staff frustration and backlogs of work.

One of the advantages of the Munis system is the remote access and data entry features. Currently, all departments have been granted access but only half post weekly payroll on an exception basis and all enter requisitions. One office, the city clerk, also has been granted remote access to the Munis system to enter departmental receipts. The city clerk still submits the bank deposit slips as backup, enabling the treasurer/collector's office to review the entries and backup before posting to the treasurer's receipts report. Remote access has not been granted to include vendor bills, which are submitted to the city auditor's office for review and data posting to the Munis system, or to annual budget requests, which are presented to the CFO's office for data entry.

During the course of our review, we found that despite the availability of the computerized applications and systems, as well as in-house staff support, many individuals are performing manual or repetitive tasks. For example, the inspection department uses a software application to manage the permitting process, which can export data electronically, however the assessing office enters the information manually into its Vision computer assisted mass appraisal (CAMA) system. Also, as previously mentioned, time and attendance records are kept at the department level in various formats when, in fact, the payroll system provides for the central accounting of it.

¹ While not directly responsible for the school, police, and fire departments' technology, MIS works closely with them to ensure their operations adhere to the city's policies and protocols.

Lowell has a public website and employs a webmaster, who manages both the city and school sites. Currently, Lowell's Internet website provides online services listings, departmental listings and telephone numbers, some financial and billing information, council meeting schedules, agendas and minutes, community links, and announcements. However, other useful information on some departments is not provided, forms are not always available electronically, and some department information is out-of-date. In the absence of useful or complete information, users are directed to call or e-mail the city hall offices for assistance, which causes work interruptions for personnel.

RECOMMENDATION 7: SURVEY CURRENT OPERATIONS AND PROVIDE TRAINING

We recommend that departments work with MIS to identify data that is repetitively entered or shared with other offices, and MIS survey staff on their knowledge and use of available computer applications. Working together, MIS could help identify repetitive tasks that instead may be automated, streamlined, or developed into a shared database available to more than one office. Based on the survey results, departments should make the time to participate in training that would enable staff to better understand how the computerized systems can be useful to them. Given the limited personnel and resources, exploring ways to operate more efficiently can free up valuable staff time.

RECOMMENDATION 8: EXPAND THE REMOTE ACCESS TO THE FINANCIAL SYSTEM

We recommend that all departments be granted remote entry capability to enter departmental receipts, vendor bills, and annual budget requests to the Munis system. With proper training, departments would be responsible for data entering all financial information at the departmental level. This would enable the appropriate financial office (e.g., treasurer/collector's, auditor's, or CFO's) to review an electronic submission against backup documentation before accepting/posting it to the appropriate system (e.g., cashbook, warrant, general ledger, budget proposal). Once established, even though hardcopy information is exchanged, the electronic transmission of financial data will greatly reduce the amount of manual entries the financial offices are performing, thereby freeing up staff to perform other management and analysis activities.

RECOMMENDATION 9: UPDATE AND EXPAND THE WEBSITE

We recommend that Lowell update and maintain its Internet website. A comprehensive, up-to-date, and accurate website would help generate public awareness and confidence. In other communities, user-friendly and informative (e.g., minutes, budget, and commonly requested forms and documents for all departments) websites have proven successful in reducing the amount time that city employees spend fielding questions in person or on the phone.

TREASURER/COLLECTOR'S OFFICE

The treasurer/collector is the city's cash manager and possesses the authority to collect all monies due to the community. As the cash manager, the treasurer invests, disburses, and borrows cash. As collector, the office is responsible for collecting approximately 25,600 property tax bills quarterly, 79,000 motor vehicle excise bills annually, 45,000 parking tickets annually, 21,770 water/sewer/trash bills quarterly, and 140 boat excise bills annually. This office also prepares about 5,000 municipal lien certificates annually. To fulfill these responsibilities, the treasurer should maintain a cashbook, check registers, debt schedule, and various logs to track balances for grants, trusts and other special revenue funds. A treasurer/collector also should maintain an up-to-date receivable control. Consequently, the treasurer/collector should reconcile cash and receivables internally and then externally with the auditor's office monthly, which currently the city does after the close of the fiscal year.

The treasurer/collector in Lowell has worked in the office for about 33 years, 10 of which were as the assistant department head. He has been in his current capacity since 2004. In addition to the treasurer/collector, there are 11 staff members located in three different offices. In the main office, an assistant treasurer/collector and four additional staff members work. In this office, the staff handles tax, excise and utility billing and collections, the cashbook, departmental receipts, disbursements, banking services, and municipal lien certificates (MLC) in full view of the general public. In an adjacent space, a tax title attorney (who works part-time for the city solicitor's office), a paralegal, and a clerk manage the tax title and foreclosure process, stuff and seal checks, and oversee the city's outgoing mail. While this office is open to the public, the door is closed and the staff is able to concentrate on tasks with limited interruptions. In a third basement location is the parking office, where a supervisor and two clerks collect parking ticket fines and data enter past due motor vehicle excise collected by city's deputy collector.

In recent years, the treasurer/collector's office has experienced changes in management and staffing reductions. Both the treasurer/collector and his assistant were promoted from within the organization. While they are familiar with the office operation through on the job training, neither has participated in outside professional training. Neither the treasurer/collector nor his assistant are fully trained on all the office's responsibilities, but complement each other's skill set. Similarly, each staff member has specific responsibilities, and staff generally is not cross-trained beyond processing payments at the counter. The staff had Munis training prior to installation of the system in 1999 and has not participated in subsequent training. Without it, the staff is unable to use the available applications fully and is developing off-Munis logs to report/tract activity.

Compounding this situation is a lack of adequate staff coverage. Because of the three separate offices and distinct responsibilities, staff generally does not provide coverage for brief or extended vacancies other than lunch times. Consequently, backlogs of work generally occur. This became a serious problem during the fall of 2006 after two staff members were injured in an accident and were

out for an extended period of time. In their absence, the office fell further behind. For example, we found that departmental receipt posting and municipal lien certificates were several weeks behind during December 2006. As a result, the general ledger was not current and MLCs were not processed within 10 business days as required by M.G.L. c. 60, §23.

The treasurer's cash book is the source of original entry for recording receipts and deposits, disbursements summarized by warrant, and the total cash position of the city. A cashbook provides control that enables the treasurer to reconcile with bank statements, cash on hand, and the general ledger balance on a monthly basis. In Lowell, the treasurer's office currently maintains the cash book in QuickBooks, which is comprised of 56 bank accounts. The treasurer enters daily activity in a separate spreadsheet and updates the cash book at the close of each week as time allows. Recognizing that the cash book is not up-to-date and time consuming to maintain, Lowell is planning on installing Munis' cash management module, which is fully integrated with other treasury and collection applications, to maintain the city's cash book beginning in FY2008.

All but three accounts (one depository and two checking) reconcile with the bank statements. Upon reviewing the two checking accounts' June 2006 statement, we found multi-million dollar balances and no evidence of any internal reconciliation attempts. Furthermore, we found almost 1,800 outstanding checks (totaling over \$3 million) that were more than three months old, the oldest of which dates back to 1997. These outstanding checks are in addition to the over 2,000 returned or unclaimed checks, commonly referred to as tailings, that total over \$322,000 and date back to 1980.

All departments turn over a report, which includes bank deposit slip(s) to a treasurer's bank account, for receipts collected at least weekly. During our review, one receipt type came to our attention. Both the police and fire departments bill, collect, and turn over officer work detail payments with other departmental receipts. Because these charges are not committed to the treasurer/collector who would set up a receivable amount, there is no record that there were outstanding accounts due the city. In the absence of notification from either department, the auditor's office tracks the outstanding detail payments due the city by reviewing the amounts billed through the payroll system less the payments received (net of the administrative surcharge). If a party fails to pay, the department may send a notice or refuse a future work request. If not collected timely, these outstanding charges become stale and possibly uncollectable.

According to the city, over 70 percent of the property tax and utility bills and about a third of the excise bills are received through escrow (real estate only), lockbox, and Internet services. The staff accepts all other payments through the mail and over the counter and posts the payments to the appropriate account.

As of the end of FY2006 (6/30/06), Lowell has a significant amount of outstanding tax, excise, and utility payments due the city. According to auditor's general ledger balance sheet, there is over \$3 million in real estate taxes (dating back to 1990), \$503,000 in personal property taxes (dating back to 1992), \$4.4 million in motor vehicle excise (dating back to 1985), and \$17,000 in boat excise (dating back to 1990). In addition, Lowell has over \$8.85 million in tax title and foreclosure accounts, \$1.2 million in outstanding water charges and \$2 million in outstanding sewer charges. In comparing the

receivable detail information (as of 6/30/06) provided by the treasurer/collector with the auditor's general ledger figures, we found differences in total and by fiscal year for virtually all receipt types (except tax foreclosures). We also found numerous credit balances that date back as far as FY2001, which have not been reviewed and cleared, indicating that the process has not been completed before the close of each fiscal year.

In January 2006, Lowell hired a new deputy collector to pursue the large amount of past due motor vehicle excise the city was carrying. The city issues a warrant listing delinquencies to the deputy collector, who completes online license and registration markings for non-renewal status with the Registry of Motor Vehicles. The deputy collector deposits all receipts into a city account, prepares weekly turnover reports, and is paid for its services through the vendor warrant.

RECOMMENDATION 10: PROVIDE TRAINING AND CONSOLIDATE STAFF

We recommend that the treasurer and assistant attend professional training courses. Attending formal professional training and refresher courses (e.g., workshops and/or the four-day annual school provided by the Massachusetts Collectors and Treasurers Association) will provide useful information and opportunities to learn about alternative professional practices conducted in other municipalities. The assistant position should be fully trained to assume the role and responsibilities of the treasurer/collector in his absence, thus preventing unnecessary interruptions or delays to maintaining up-to-date records and avoiding obstacles to safeguard city assets.

We recommend that the staff receive training on the Munis system and be cross-trained on all operations performed in the office. As updates to the Munis system occur, it is important that staff be provided with training to inform them of any changes or additional options that would streamline and/or improve operations. With proper cross-training, the staff would be able to provide assistance during high-demand times and as well as fill in during brief or extended absences.

We recommend that the city move the parking office staff into the main office. By consolidating the staff, the city could improve its customer service coverage and create workflow efficiencies. In shifts, staff would be scheduled to handle front counter collections and inquiries on all tax, excise, utility, and parking ticket issues. This would enable staff not covering the counter to work out of public view and focus on other responsibilities (e.g., MLCs, receipt posting, and bank reconciliations) of the office without constant interruptions.

RECOMMENDATION 11: MAINTAIN THE CASH BOOK AND RECONCILE CASH TIMELY

We recommend that the treasurer/collector's and auditor's offices conduct prompt, monthly cash reconciliations. Shortly after the end of each month, the treasurer's office should internally reconcile the cash book to all bank statements. The treasurer should oversee and sign-off on this

process to confirm that the activity is completed timely. Once reconciled internally, the treasurer's office should reconcile with the city auditor's general ledger, ensuring funds are not missing and financial records of the two offices are in agreement. Prompt and frequent reconciliations are essential in order to maintain control over cash.

We recommend that the treasurer reduce the number of bank accounts. While a revenue source or fund type may need to be accounted for separately, there is no requirement to keep separate bank accounts for each. Often, communities combine smaller accounts into a municipal trust account, which details the sub-accounts' monthly deposits, withdrawals, transfers, and earnings on a consolidated statement. In addition, when fund balances are combined the treasurer may improve the earnings on investments. More importantly, reducing the number of accounts may reduce the time required to maintain and reconcile them.

We recommend that the treasurer research the returned or unclaimed checks. The city's outstanding items may include checks issued to pay employees and vendors, refund municipal taxes or charges, or pay other municipal obligations. Any check that is not cashed within three years of issuance is deemed abandoned under MGL Chapter 200A §5. A municipal treasurer holding abandoned checks, or tailings, may turn them over to the state treasurer (Chapter 200A §7). Alternatively, the treasurer may advertise the unclaimed checks himself and hold hearings to settle any claims (Chapter 200A §9A). Having complied with all legal requirements of Chapter 200A, any remaining unclaimed monies are credited to the municipality's general fund.

RECOMMENDATION 12: RECONCILE RECEIVABLES & PURSUE OUTSTANDING AMOUNTS

We recommend that the treasurer/collector's and city auditor's offices conduct prompt, monthly receivable reconciliations. It is best that these activities be prioritized and completed immediately after the close of the month rather than putting them off to a later time. Putting the reconciliation off to year-end complicates the process and could impact the completion of the annual audit and certification of free cash.

We recommend that the treasurer/collector research the real estate receivables. For any receivable amounts that could be placed in tax title, the treasurer/collector should act before the city's automatic lien expires. A tax lien is valid for three and a half years from the end of the fiscal year for which the taxes were assessed, unless the property's ownership is transferred or the tax is discharged by a municipal lien certificate. For those amounts that are determined to be uncollectable, the treasurer/collector should work with the assessors and Commissioner of Revenue to have them abated and cleared off the city's books. If overlay account balances exist for the years in question, the abated amounts should be charged to them, otherwise they may have to be raised on the tax recapitulation sheet or appropriated by the city council.

We recommend that the treasurer/collector aggressively pursue foreclosure options. By promptly initiating Land Court foreclosure proceedings, the city would demonstrate to taxpayers that it is serious about pursuing delinquent amounts. For any properties with a FY07 property value of \$17,870 or less, the treasurer/collector could work with the assessors to pursue land of low value foreclosure through the Department of Revenue, an alternative foreclosure procedure to seeking a decree from Land Court. As a result of either process, the foreclosed parcels can then be auctioned to recover taxes and interest owed, or preserved as city-owned land by city council vote.

We recommend that the treasurer/collector use the services of the deputy collector to pursue outstanding personal property tax accounts. The deputy collector may be able to obtain money owed the city or to provide evidence that the accounts are uncollectible (due to death, absence, poverty, insolvency, or other inability of the person assessed to pay). Once the treasurer/collector is reasonably sure that the accounts are uncollectible, he should work with the assessing office and Commissioner of Revenue to have them abated and cleared off the city's books.

We recommend the treasurer/collector contact the assessing office about abating motor vehicle excise determined to be uncollectible (due to death, absence, poverty, insolvency, or other inability of the person assessed to pay). Abating the older amounts will help clean up and reduce the city's receivables on its balance sheet. Having previously committed all outstanding amounts to the deputy collector, any amount that eventually may be collected and turned over to the city may be easily recommitted by the assessors on a special warrant so the treasurer/collector may accept the payment.

RECOMMENDATION 13: ASSUME RESPONSIBILITY FOR POLICE AND FIRE DETAIL COLLECTIONS

We recommend that the treasurer/collector be responsible for billing and collecting the police and fire department work details. All work details should be committed to the treasurer/collector for collection. The treasurer/collector's staff is bonded and the office is established to receive volume collections. It also should be the collector's responsibility, not a department's to resolve any past due amounts. To assist in the collection of departmental receipts, the city could use a third-party vendor, which it currently is doing with motor vehicle excise bills and parking tickets. Otherwise, the treasurer/collector (or the city solicitor) initiates a small claims court action.

As an alternative, the city could institute a policy requiring pre-payment for work details. As such, the user would contact the department, which would estimate the cost of the proposed job and draft a bill. When the estimated bill is paid at the treasurer/collector's office, a receipt would be issued and the work detail scheduled. Monthly, the treasurer's office would review the status of all work details, comparing the pre-payment against the payroll submission to the auditor's office. If the pre-payment is less than the actual cost of the service then a balance due bill would be issued and collected timely, avoiding growing outstanding charges that could become uncollectible.

ASSESSING OFFICE

The city manager appoints the three-member board of assessors, all of whom work full-time in the office. The chief assessor, who has worked 25 years for the city (11 years in her current capacity) and is the department head, oversees the general operations, supervises the staff, and presently is serving as the chairman of the board. The assessors' office is responsible for determining full and fair cash valuations and classification of all property, assigning tax payments to owners, and generating the commitment authorizing the treasurer/collector to collect property taxes and excise. The assessors review and grant abatements and exemptions. The city's real property assessment records and personal property accounts are maintained on computer assisted mass appraisal (CAMA) systems, Vision and RRC, that are used to compile analytical reports and property tax commitments.

In addition to the working members, the assessing office has nine full-time staff positions. There are two assistant assessors who measure and list new and improved properties. Two administrative assistants and four clerks maintain all records, process deed transfers, handle exemption and abatement applications, and data-enter property and legal information on the CAMA system. The clerks also handle the motor vehicle and boat excise accounts, respond to public inquiries, and perform other support as necessary. To avoid future full measure and list consulting costs (over \$163,000 in FY2003), the city hired a property lister. Going alphabetically by street, the property lister conducts cyclical inspections.

The assessing office is responsible for maintaining assessment data on approximately 24,660 real property parcels, 1,510 personal property accounts, 79,000 motor vehicle excise accounts, and 140 boat excise accounts. In addition, the office processes approximately 3,750 deed transfers, 2,330 business income and expense statements, 2,230 building permits, 1,240 Form of Lists from businesses, 1,300 exemptions and abatements (1,470 in recertification years) annually. When a property transfer occurs, Lowell sends out an information package with forms (e.g., affidavit of address and sales verification forms) that must be filed at the assessing office. The assessing office processes about 3,300 of these annually.

The office has several contracts with outside vendors to assist with their ongoing operations. Triennially, an appraisal consultant is hired to update all real property values. The cost of this program was almost \$165,000 in FY2005 and it is estimated to be about \$180,000 in FY2008. In addition, the city hires a separate consultant to appraise a power plant in the community at a cost of about \$5,000. In the intervening years, the assessing office hires an appraisal consultant to analyze sales and review commercial/industrial income and expense data in order to make interim year adjustments to values (complying with requirements of M.G.L. c. 59, §38 to maintain full and fair cash values). Currently, the cost of this analysis work, as well as updating operating tables that drive the CAMA system, is about \$12,000 per year and is projected to increase a few thousand dollars each year.

As a result of the FY2005 recertification review, the Bureau of Local Assessment (BLA) recommended that Lowell reexamine its residential neighborhood delineations, which was done, and

conduct a full-field review, which is nearly complete. BLA also recommended that the assessors rediscover and re-list all business personal property accounts. To comply with this recommendation, the city hired a consultant to pick up/value the city's personal property accounts (FY2006-FY2008) and purchased a computer application to maintain and update the data. The combined cost of the recollection program and computer application is about \$100,000.

RECOMMENDATION 14: CONDUCT SALES INSPECTIONS

We recommend that the assessors inspect the interior and exterior of all sale properties. Often, a sale property may have been upgraded without a permit or allowed to deteriorate to an extent that the assessors' files do not accurately reflect the true characteristics or condition of the property. A new owner may provide information or changes to the property through the sales verification form, but there is no guarantee. Not being aware of the exact condition of properties at the time of the sale affects the assessors' ability to analyze market data. Teaming up with other departments scheduled to visit these properties (e.g., fire department, building inspector, and water department) would ensure timely, interior inspections for the assessing database and assist in the city's cyclical reinspection program. It also will reduce the number of scheduled visits to the same properties.

RECOMMENDATION 15: SCHEDULE CYCLICAL INSPECTIONS BASED ON LAST VISIT

We recommend that the assessors organize the cyclical collection program visits based on the last recorded inspection date and geographical areas. Knowing when the last assessing inspection (e.g., sales or permit) occurred would help the assessing office to efficiently manage this program by preventing duplicate visits by the staff and ensuring all properties are inspected within a maximum nine-year timeframe. Grouping inspections by location or neighborhood, the office will make more efficient use of staff time in the field.

RECOMMENDATION 16: CONDUCT RESIDENTIAL INTERIM YEAR ADJUSTMENTS IN-HOUSE

We recommend that the assessing office conduct the residential interim year adjustments to values in-house. The assessors should attend the CAMA vendor's training to learn more about the operating system, including how to make changes to the cost and land tables. With training, the assessors would improve the internal management of the database and reduce its contractual cost because only the commercial and industrial interim year adjustments would be outsourced.

RECOMMENDATION 17: SEEK AUTHORIZATION TO ASSESS OWNERS UNKNOWN

We recommend that the assessors research any parcels where the ownership is in question.

During our review, we noted a couple of properties are assessed as “owners unknown.” The assessing office should perform a thorough review of its records and deed information to help identify the ownership of these parcels. If ownership is determined, the assessors should reassess all years’ uncollected taxes to the correct owner. If no owner is found, the assessors will have to request authorization from the Commissioner of Revenue to assess to “owners unknown.” The assessors should provide with their request an account of all attempts to determine the owner. Once the city receives permission to assess to owners unknown, the assessors should reassess the prior years’ taxes that were improperly assessed. With clear authority to assess to owners unknown, the town may come to obtain title to the property through the foreclosure process.

CITY AUDITOR'S OFFICE

An auditor, assistant auditor, payroll supervisor, accounts payable supervisor, and six clerks staff the office. The primary responsibility of the auditor's office is to maintain the city's general ledger and to perform the accounting functions. Typical accounting functions include reviewing invoices, approving requisitions, preparing warrants, producing trial balances, revenue and expenditure reports, maintaining information on debt, and reconciling cash and receivables with the treasurer/collector. In addition, the city auditor manages the payroll system and serves as a member of Lowell's retirement board.

As appointing authority, it is the city council's expectation that the city auditor advise them on municipal fiscal affairs, provide periodic financial reports and analyses that indicate the city fiscal situation, and serve as a check and balance to the city manager's office. Since 2001, there has been significant turnover in the city auditor's position with four different individuals having served. As a result, there have been periods of time in which disruptions and backlogs in office activities have occurred due to brief vacancies and/or changes in management styles. Over the last couple years, the council reports it received little communication, no reports, and often the prior city auditor was not present during key budget hearing/council meetings. Consequently, the council was unaware of the city's depleted reserves and declining fiscal situation until after the fact, and generally was informed through outside sources. With the appointment of the current city auditor in January 2007, the Auditor/Clerk Oversight Committee is establishing new job goals and objectives by which the position will be measured and annually reviewed, preventing the reoccurrence of prior problems.

The assistant auditor has worked for Lowell for over 19 years and has served in her current capacity for about three years. The assistant auditor's training has been through on-the-job experience. In the auditor's absence, the assistant auditor supervises the staff, makes general ledger and journal entries, processes requisitions, approves the warrant, and prepares statistical and analytical reports. She does not, however, participate in cash and receivable reconciliations, the preparation of the city's financial statements for the independent auditor, or completion of the Schedule A (year end report of revenues and expenditures) for DOR.

Annually, the auditor's office should prepare internal and external reports. For internal reports, the auditor's office should prepare monthly expenditure and revenue reports to verify and monitor the city's financial activity as well as produce periodic receivable and cash balance reports that are used to reconcile with the treasurer/collector's records. In Lowell, departments have access to monthly expenditure reports online in the city's financial system. The council, however, was not provided any year-to-date expenditure reports or revenue reports until very recently. Similarly, cash and receivable reconciliations were conducted after the close of the fiscal year.

If there is a discrepancy between a department's internal records and the city's financial system, departments notify the auditor and they work together to resolve it. However, it has come to the new auditor's attention that some departments were not aware that they had electronic access to their budgets on the city's financial system. Consequently, departments were not reconciling their

internal budget reports, if they exist, to the auditor's records. To ensure everyone is trained to use the system and that monthly reconciliations are being performed, the auditor has requested a report of all users granted remote access to the year-to-date budget information by department. She plans to meet with each department to go over its internal budget documents and to explain reconciling procedures for all accounts/funds under the control of that department. Going forward, the auditor would notify departments after a month's closing and require notification (whether it is in agreement or there is a discrepancy) of the monthly budget reconciliation.

Among the external reports, the city auditor prepares the Schedule A, a year-end fiscal statement of revenues and expenditures, and produces the balance sheet (and supporting documentation) that DLS uses to certify free cash. Within the annual balance sheet submissions, Lowell provides detailed special revenue, grant, capital project, and agency account fund balances. Most accounts reflect activity from year to year, while others are unchanged, and worse, some reflect deficit balances, which are a negative impact on the city's certification of free cash. In reviewing the city's financial statements, we found that some deficits are unchanged, dating back to FY2003, and we have concerns about the legal authorization of some accounts. Specifically, there are prior years' encumbrances in the city agency fund that are used as funding sources for current expenditures. An encumbrance is a reservation of the appropriation balance to cover any purchase of goods or service contracted for but not received by a fiscal year's end. An encumbrance should close to fund balance in the subsequent year and certainly not to fund current spending. More importantly, by definition, an agency fund is used to report resources in a purely custodial capacity and therefore cannot be used to support the government's programs.

RECOMMENDATION 18: CONDUCT RECONCILIATIONS PROMPTLY

We recommend that the auditor reconcile the city's cash and all receivable balances with the treasurer/collector's office at least monthly. Frequent reconciliations make it easier to locate and correct posting errors, minimizing the additional workload at year's end. Regular cash and receivables reconciliations also enable city officials to verify that revenues reported and resulting receivable balances are accurate, thereby ensuring the cash and assets of the community are safeguarded.

RECOMMENDATION 19: REVIEW SPECIAL ACCOUNT AUTHORIZATIONS AND BALANCES

We recommend that the auditor review all special revenue, grant, capital and agency accounts. The auditor should verify that each account has been properly established by special or general enabling legislation and is in full compliance with the relevant rules and regulations. For any account determined to lack proper legal authorization, the city council should adopt the relevant enabling legislation or the auditor should close the balance to the general fund. The auditor will also have to research any deficits to determine if any will require city council to make an appropriation.

RECOMMENDATION 20: ATTEND PROFESSIONAL CLASSES

We recommend that the assistant auditor attend professional development courses. An assistant should be fully trained to assume the responsibilities of the department head for brief or extended absences, thereby avoiding potential disruptions in activity or the need to hire outside assistance. In addition, the benefits of outside training are that it will provide useful information about current laws and professional practices and will allow staff to interact with other municipal accounting personnel.

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