



Town of Lunenburg

# **Financial Management Review**

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Division of Local Services / Technical Assistance Section

December 2008

## INTRODUCTION

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

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 members of the selectmen and finance committee, the chief administrative financial officer (CAFO), assistant CAFO, accountant, treasurer/collector, technology director, school superintendent, school business manager, regional assessor, and other municipal office staff.

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

The purpose of this review is to assist Lunenburg officials as they evaluate the town's financial management. In reviewing the existing financial management, we have focused on: (1) the town government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication 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 selectmen, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses, and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various boards, committees, and officials.

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## EXECUTIVE SUMMARY

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Incorporated in 1726, Lunenburg is approximately 28 square miles with a population of 10,010 persons (2006 Estimated US Census). It is a community in north central Massachusetts, next to the cities of Fitchburg and Leominster. State routes 2A and 13 run through the town and the interchange of Route 2 and Interstate 190 are nearby. Like most Massachusetts towns, Lunenburg began as an agricultural community, but unlike many it did not develop into a mill community. Instead, a part of Lunenburg, the Whalom District (where Lake Whalom and the remnants of the former Whalom Amusement Park are located), was developed as a housing base for workers from the Fitchburg and Leominster mills and factories. Outside this area of town, Lunenburg has historically remained semi-rural with significant tracts of land dedicated to active farms, orchards, recreation, and forestry. Over the years, however, these open lands have been slowly developed into large lot single-family housing, reflecting a trend which continues today.

Between 1990 and 2008, Lunenburg's single-family parcels have increased from 2,751 to 3,389, or over 23 percent. During this same timeframe, the town's condominium units also increased tremendously from 17 to 188. As a result of this development, the town's population grew from 9,117 persons (1990 US Census) to 10,010 persons or an increase of 9.5 percent.

Over the same number of years, the town's budget increased 174 percent from about \$10.3 million (FY1990) to \$28.5 million (FY2008), while statewide municipal budgets grew from about \$9.4 billion to \$20.9 billion, or 124 percent on average. Among its revenue sources, the town's state aid increased 93 percent (due in part to over \$400,000 in school choice tuition received and more than \$800,000 in school building authority payments that began in FY2007) and local receipts (e.g., excise, permits and user fees) more than tripled. Lunenburg's property tax levy increased about 75 percent through a combination of annual statutory 2½ percent increases, new growth that is generated by new construction and building renovations. In addition, voter approved Proposition 2½ overrides (FY1990 and FY1994) and debt exclusions that raised funds necessary to pay debt service costs over the lifetime of various projects increased the town's maximum allowable limit. The other available funds and reserves fluctuated annually.

About midway through these years of development and growth, Lunenburg residents realized that the town's governmental structure and the way business traditionally had been handled were not well suited for the increasing demands and complexities facing the community. The town elected a charter commission that proposed sweeping changes, which were adopted by the voters in 1999. The three selectmen, who had been responsible for overseeing many departments, were replaced with a five-member board and a full-time, professional chief administrative and financial officer (CAFO). The selectmen continued to be the town's chief executive officers and policymakers, but the day-to-day administration of operations was now the responsibility of the CAFO. In addition, the CAFO supervised the newly created finance department, which includes collections and treasury (previously elected), accounting, assessing and procurement.

This change in Lunenburg's organization of government was designed to increase coordination and accountability. Unfortunately, the town has had trouble hiring and retaining CAFOs and since 1999, four individuals have served in the position. To date, the longest appointment lasted about three years while vacancies generally were three to six months in length. They typically were filled by the current chief administrative assistant on an interim basis. The exception was a vacant CAFO position that lasted about two years (2003-2005) because the selectmen were not able to successfully negotiate a contract after interviewing candidates twice.

Adding to this lack of continuity in the CAFO position, the town was dealt a serious blow in FY2003 when it was discovered that the then school superintendent misappropriated funds. Between FY1998-FY2003, the superintendent stole about \$450,000 by submitting false personal expense reports for reimbursement, creating numerous purchase orders for supplies from a fake company, and falsifying invoices from a previous supplier. In this scheme, there were no checks and balances because he issued the purchase orders as the procurement officer and then approved the payments for services and supplies never received as the department head. However, during 2003, questions about certain purchases were raised by the school business manager, who worked with the accountant to uncover and document the thefts. The former superintendent was escorted from his office in January 2003, pleaded guilty in September 2003, and agreed to repay the community \$446,220. As a result of this experience, the town has implemented tighter controls.

The most recent CAFO appointment was made in December 2007. Immediately upon starting the job, she developed a balanced budget proposal and presented it to town meeting with a PowerPoint presentation that included detailed backup information and clear reasons for her decisions. This budget presentation was a huge change from past practices, which were less transparent and led to tension among officials throughout the process.

The CAFO also has been addressing a range of issues facing the community. The CAFO has been finalizing the sewer expansion project and implementing a post-closure monitoring program for the landfill because it had not been maintained properly. She also has been analyzing departmental space needs and the potential reuse of vacant buildings. She is developing a revenue and expenditure forecast and multi-year capital plan, including the future impact of the possible regionalization of the schools with the towns of Ayer and Shirley. While Lunenburg has been a proponent of regional ventures (e.g., assessing and health services), it is not clear whether the community will embrace this one. Because Lunenburg is a community with large tracks of developable land, the CAFO also has been reviewing development proposals, planning for possible financial and operational impacts on the community. Currently, the town has affordable housing (M.G.L. c. 40B) and smart growth zoning district (M.G.L. c. 40R) proposals in process and has already approved plans that could add between 1,500 and 2,000 new housing units to the town's current inventory over the next couple years.

Within Lunenburg's charter is a provision for periodic review of the governmental structure and the town bylaws. As such, a nine-member charter review committee was formed through a combination of appointments from the selectmen, finance committee, school committee, planning board and moderator specifically set out in section 7-7 of the charter. The committee has spent over a

year conducting a thorough analysis. The committee's proposed changes to the charter were adopted by town meeting in May 2008 and will take effect with general court approval of a special act when the new legislative session begins later this fiscal year. Among the proposed changes, the position of the CAFO would be replaced by a town manager, who would have authority to appoint a separate finance director and department heads with ratification by the appropriate elected board. Proposals also include, among others, the election of the sewer commission and an outline of its responsibilities, creation of a three member committee (a selectman, a school committee representative, and the moderator) responsible for finance committee appointments, and conversion of the town clerk to an appointed position.

In addition, the CAFO is reviewing the town's organizational structure and personnel responsibilities to ensure that tasks are done timely and efficiently and that duplication of effort and redundancy are minimized. As a part of this review, she has begun addressing audit management letter comments that identified improper or inadequate procedures. These include two reportable conditions: the failure to include the trust funds in the general ledger that was resolved in FY2007; and the lack of regular monthly cash and receivable reconciliations, which began in late FY2007 due to issues in the treasurer/collector's office and continue to be a problem. A reportable condition is a deficiency in internal control, which if significant, may become a "material weakness." A material weakness is a reportable condition of such magnitude that it could potentially result in material misstatements of financial condition.

Because the presence of a material weakness could impact Lunenburg's credit rating and future borrowing costs, the CAFO hired a consultant to provide training to the treasurer/collector's staff, which has had turnover and lacks experience, and to assist in identifying a cash variance of over \$46,000. To further assist the CAFO in her review of staff and responsibilities, the selectmen voted to request that the Department of Revenue's (DOR) Division of Local Services conduct a comprehensive review of the financial offices, providing an objective assessment of current operations and identifying areas of potential improvement.

DOR found that Lunenburg is a growing community that has been faced with a number of issues. In order to better manage its resources and plan for the future, the town adopted a charter with a strong professional administrative position. However, the town has experienced trouble attracting and keeping a qualified leader. By all accounts, the current administrator's management style has led to improved confidence by officials and residents that issues are being identified and that the town is moving forward on resolving them. Over the last year, there has been improved communication and greater cooperation among departments, with information provided through periodic briefings presented to town officials and the public.

However, not all concerns have been addressed. The treasurer/collector's office has received consulting assistance and training, but has not been able to provide cash and receivable balances so they may be reconciled with the town accountant's records. The lack of regular reconciliations during the year prevents these offices from detecting errors early and monitoring progress going forward. Failure to reconcile balances in a timely manner will impact the community's certification of free cash

and cause continued concern in town audits. To resolve any lingering cash and receivable variances and to ensure effective office practices and procedures are in place, further consulting assistance may be required for the treasurer/collector's office.

In the report that follows, a series of recommendations are presented based on best management practices that comply with state laws and regulations. Consistent with the town's recently proposed charter changes that seek to further increase accountability, our report recommendations are designed to encourage checks and balances and increase efficiency in the town's financial operations. Chief among these is the need to conduct reconciliations timely, to provide professional and computer training on an on-going basis, to expand the use of technology, and to develop and maintain long-term financial policies. With increased communication, coordination, and good management practices in place, Lunenburg will be able to plan for the future and position itself for whatever lies ahead.

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## OVERALL FINANCIAL MANAGEMENT & BUDGETING

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During the course of our review, we looked at the overall financial management in the town, its governmental structure, bylaws, the budget and financial practices, and personnel procedures and policies. What follows is a summary of our observations and recommendations.

### GOVERNMENT STRUCTURE AND BYLAWS

Lunenburg's governmental structure was established through a charter in 1999. A five-member board of selectmen serves as the chief executive officers of the town. It appoints a chief administrative financial officer (CAFO), who is responsible for the management of all administrative and financial affairs. Department appointments generally are recommended by the CAFO to the various elected boards (e.g., selectmen and assessors) for confirmation and most of the departments (except the schools and library) are supervised by the CAFO. The CAFO also oversees personnel administration, prepares the budget and coordinates the process, negotiates contracts, manages procurement, and keeps the selectmen informed.

### BUDGET AND FINANCIAL PRACTICES

By charter, the CAFO prepares an annual balanced budget proposal, which includes estimated revenues, a detailed spending plan, a budget message, and supporting documentation. The CAFO must also prepare a forecast of revenues and expenditures and present a capital and infrastructure plan (developed by the capital planning committee) that projects the town's fiscal and improvement needs over a minimum of five years.

Generally, the budget process begins in the fall when the CAFO, working with the financial team (e.g., accountant, regional assessor and treasurer/collector), prepares preliminary revenue projections. Based on this information, spending guidelines and appropriation request forms are distributed to all departments and boards. Completed forms are submitted to the CAFO, who meets with each department manager to discuss his or her request. The CAFO prepares a balanced plan, which is presented at a joint meeting of the selectmen and the finance committee. The finance committee then reviews the budget (as well as all other warrant articles), holds hearings, works with the CAFO (who provides updated revenues and other information), and prepares its recommendations for the town meeting.

In FY2009, the budget process did not commence until December 2007 when the new CAFO took office. For the sake of expediency, she used the town's traditional spending forms, but requested additional information of each department in order to prepare a more comprehensive budget proposal. She required departments to provide spending scenarios with a narrative as to the impact of each proposal on their operations. She asked for an organizational chart, detailed program(s) descriptions with performance measures, and formal department mission statements and goals. After meeting with



departments and informally conferring with the financial officers, the CAFO prepared a balanced proposal for the finance committee by mid-February. The finance committee held hearings, which the CAFO and many of the selectmen attended, and the committee then prepared a report with spending recommendations.

At the annual town meeting, the CAFO presented a detailed PowerPoint budget presentation that explained all factors taken into consideration and the reasoning for her decisions, which was a welcome improvement from prior years according to many officials. Per the charter, a five year capital improvement plan and FY2009 capital budget request also were included. An out-of-date, multi-year revenue and expenditure forecast prepared by her predecessor existed, but the CAFO was not able to review and revise it given time constraints. She has since prepared a five-year revenue and expenditure forecast. This revenue and expenditure forecast and an update on the state of the FY2009 budget was presented to town policymakers and residents at a financial summit meeting in November, beginning the FY2010 budget process.

From time to time, the selectmen have adopted policies that are intended to provide guidance to policymakers when making decisions and planning for the future. Combined in a formal selectmen's policy manual dated May 14, 1990, Lunenburg has some policies on personnel issues (e.g., vacation, compensatory time, and sick leave) and acceptable computer uses as well as financial guidelines on operating budgets, capital planning, and the use of reserves (e.g., free cash and stabilization fund). Reportedly, town officials also have other operating procedures (e.g., estimating local receipts conservatively, maintaining current capital and infrastructure inventories, and benchmarks on debt as a percentage of operating budgets) that are followed as a matter of practice but not documented anywhere.

## PERSONNEL PROCEDURES AND POLICIES

Lunenburg has roughly 450 town and school employees who are paid biweekly. By charter, annual job performance evaluations are required for all employees, which also is included in many of the town's collective bargaining agreements and individual employment contracts. Despite the requirement, not all employees have annual reviews conducted and many do not have up-to-date or any job descriptions. To address these and other shortcomings, the town's personnel committee has developed a set of forms (e.g., employee hire, termination, and committee action request) and established evaluation criteria that provide guidance for annual performance reviews. Working with the CAFO, the committee also will be reviewing job descriptions as well as proposing changes to the town's personnel bylaw, bringing it up-to-date with current procedures and best practices in personnel administration.

All regular employees (working more than 20 hours) and qualifying retirees may choose to receive health, dental and life insurance benefits through the town. Lunenburg has adopted M.G.L. c. 32B, §18 and §19, requiring retirees (and spouses) to enroll in Medicare at age 65 and establishing a public employee committee for negotiating health insurance coverage and options. Currently, the town

covers 50 percent of the health plan cost for retired employees and 80 percent for active employees, but the town's share will be reduced to 75 percent beginning in 2011 based on previous labor negotiations.

#### RECOMMENDATION 1: CONDUCT REGULAR FINANCIAL MANAGEMENT TEAM MEETINGS

We recommend that a financial management team meet on a regular basis. Chaired by the CAFO, the team would include the accountant, treasurer/collector, regional assessor, technology director together with the school superintendent or business manager. The meetings would be best held monthly when an agenda is set and sent, in advance with backup materials to meeting participants.

Financial team meetings can be an important communication device, a means to exchange information and identify and resolve critical issues. In general, meetings can serve as a forum to coordinate financial functions and discuss progress on finance-related deadlines. They can provide an occasion to set a calendar for the budget process and to schedule the timely preparation of the Tax Recapitulation Sheet. Responsibilities can be reviewed and progress can be monitored.

A financial management team also provides an opportunity for discussion of the town's fiscal issues, for identifying critical junctures and for developing strategies to meet financial challenges. Meetings provide a forum to raise and resolve interdepartmental issues. Not to be underestimated is the value when all finance-related staff receive a message or information at the same time.

#### RECOMMENDATION 2: MAINTAIN MULTI-YEAR FORECASTING

We recommend that the CAFO maintain the multi-year revenue and expenditure forecast. The CAFO, with the assistance of the financial team, should make updating and maintaining the forecast a priority. Forecasting used in conjunction with the town's capital plan will enable officials to evaluate multi-year impacts of budget requests. It would help identify programs that may not be funded, highlight capital requests that will be deferred, and develop long-range financial plans.

#### RECOMMENDATION 3: UPDATE AND EXPAND FORMAL FINANCIAL POLICIES

We recommend that the town update older or out-of-date formal policies and document all informal procedures and practices with regard to budgeting and long-term financial planning. The CAFO, with input from the financial team, should develop a comprehensive manual. This should include, but not be limited to, policies and procedures on recurring and non-recurring revenues and expenditures, the budget process, long-term fiscal planning (e.g., capital outlay and forecasting), and investment goals, and debt capacity, issuance and management policies. These should be adopted by the town's policymakers, including the selectmen, finance committee, capital planning committee and school committee, and periodically reviewed to ensure they are suitable. We encourage the town to

seek guidance or sample products from other communities. Officials should review each policy received to determine what would work best for them.

#### RECOMMENDATION 4: EXAMINE JOB DESCRIPTIONS AND CONDUCT PERFORMANCE REVIEWS

We recommend that the CAFO and personnel committee review existing job descriptions and, if necessary, make revisions or create new ones. Every position should have a formal job description that spells out clearly what is expected of an employee. It should include major and minor duties and responsibilities; supervision received and given; education, qualifications, experience and special skills required; and conditions under which work is performed. These may be developed in-house or by a consultant. Conformance with collective bargaining agreements should be considered and affected personnel and appropriate department heads should be consulted.

We recommend that annual performance reviews be conducted for all employees. Increasingly, government is placing greater attention on written job descriptions with goals, performance expectations, and provisions for annual employee evaluations. Based on each employee's duties and responsibilities and the evaluation standards established by the personnel committee, a department head or supervisor would develop benchmarks 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.

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 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. For union members, implementation of performance evaluations is subject to labor negotiations.

#### RECOMMENDATION 5: EVALUATE HEALTH INSURANCE OPTIONS ANNUALLY

We recommend that town officials annually evaluate Lunenburg's options regarding employee and retiree health insurance. The employee coalition bargaining committee established under M.G.L. c. 32B, §19 should explore and discuss healthcare alternatives and other cost saving options on an annual basis. As part of these annual evaluations, the town ought to consider the following:

- Compare competing joint and regional programs – Officials should review the current health insurance program with other joint purchasing groups or regional health insurance consortiums. Using reasonable benefit assumptions, a comparison of competing program costs should be developed that could identify potential savings for the town.

- Consider the [Group Insurance Commission](#) (GIC) option – With a membership of about 300,000 subscribers, GIC dictates plan design and the rate increases have been significantly lower and less volatile than the rate increases experienced in most municipalities.
- Review employee and retiree percentage share and co-payment amounts – Increasingly, communities are reviewing the percentage shares that employees and retirees are paying for health insurance programs as well as the co-pays for office visits and medication. Often, increases in co-payments for doctor appointments, medications and emergency room visits can significantly reduce premium costs.

## TECHNOLOGY DEPARTMENT

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The technology department services both the town and the schools. It manages all computer systems, including desktops (approximately 800), servers, networks, operating systems, software applications, Internet access, electronic mail, and the public website. The department provides training and user support services, recording all requests in a database that is used to identify issues and to prioritize them based on staff workloads. The technology department is responsible for security and virus protection, backups, and system maintenance. The department also makes recommendations on hardware and software purchases and prepares the annual capital planning request for all departments, which reflects a schedule for replacing older equipment, expanding and enhancing the school and town network, and building internal capacity.

For years, this department consisted of two positions, a director and an assistant director. On average, their time has been split between the school and town systems, 80 percent and 20 percent respectively, with periodic shifts as issues or priorities occur (e.g., the opening of the schools in the fall or the installation of new or upgraded hardware or application). However, with the growing number of users and the increasing complexities of computerized systems, a new full-time technology assistant position was funded at the Spring 2008 annual town meeting to help support Lunenburg's operations.

The town's financial offices use MUNIS, an integrated financial system, and have access to Microsoft Office applications as well as other specialty software to conduct daily business and manage information. MUNIS modules used by various departments include the general ledger, purchasing order system, accounts payable, payroll, personnel management, treasury management, and tax, excise, and utility billing, collections, and accounts receivable. As for other applications, the treasurer's office uses Excel spreadsheets to maintain the cash book and perform bank reconciliations and the assessing office uses the Community Software Consortium (CSC) computer assisted mass appraisal (CAMA) system to value and to manage property accounts.

When MUNIS was installed, initial training was provided to the staff. Since that time, modules have been added or upgraded and the town has had staff turnover. To become familiar with new applications or procedure changes within existing modules, some staff have received training while others learned on their own. Similarly, training on Microsoft Office applications was previously provided to staff, but nothing has been offered in recent years. To address staff needs, MUNIS training is being scheduled during FY2009, but nothing for other applications.

One of the advantages of MUNIS is the remote access and data entry features. Currently, only the school business manager may view and print budget information. The school business manager also has been granted access to liquidate purchase orders, enter invoices, and prepare the warrant for approval by the school committee, town accountant and selectmen. All requisitions and payroll timesheets as well as town vendor bills are submitted to the town accountant's office for review and data entry to MUNIS. Similarly, all departmental receipts are turned over to the treasurer's office with manually prepared reports, which must be posted into MUNIS. Because it is a goal of the technology

department that the remote feature be used more, if not entirely, it has set up a wireless network that links many of the town and school buildings and is installing routers for a couple locations with connectivity issues due to the undulating topography of the town.

The MUNIS and CAMA systems and the data reside on the network that is backed up nightly. For other uses of the available systems (e.g., Microsoft Office's Excel and Word applications), users generally save their work products on the network to secure individual accounts or shared drives that may be accessed by more than one office. Currently, the shared drives are used to post limited information.

During this review, we found that some vital information and reports have not been saved on the network consistently. One example is the cashbook. The treasurer had been saving it to the hard-drive on her personal computer (for which there is no back-up procedure) and lost her June 2008 activities when she wrote over it in error. In another example, the year-end receivable detail reports for all tax, excise, utility, and betterment billings were not saved to the network as recommended by a consultant. In the absence of these reports, the treasurer/collector's staff was faced with a daunting task of having to recreate the reports when the original FY2008 printed reports were misplaced briefly. It is necessary that these MUNIS reports be run on June 30<sup>th</sup> for reconciliation and audit purposes because subsequent transactions may alter the yearend results.

The town's regional assessor built and maintains a geographic information system (GIS) off-site for the assessors' office use. Currently, it only contains the assessors' maps and other related assessing information layers. However, additional layers may be added and it may be used by other departments. Given the potential widespread use, funds were appropriated to purchase the necessary software and this database management system will be transferred to the town, which will be maintained and further developed.

Lunenburg has a website for both the town and school departments. It supplies departmental listings, contact telephone numbers, electronic mail addresses, and community links. It also provides an on-line payment option, the charter and some town meeting results, the CAFO's FY2009 budget presentation, meeting schedules, some committee and board meeting minutes, and occasional announcements. However, many of the departments' web pages are blank or under construction, forms are not always available electronically, and some of this information is out-of-date. The technology department has provided training on creating and maintaining web pages, but few town offices have created their own. In the absence of useful or complete information, users are directed to call or e-mail the town offices for assistance, which causes work interruptions for personnel.

Lunenburg also has an appointed, nine-member computer advisory committee that is composed of the technology director, two volunteers who have computer-related knowledge or work experience and six town and school staff members. This group makes recommendations on technology acquisitions, helps develop operating standards and policies, and provides technical assistance to the technology and other departments upon request. They previously met quarterly, but have not met for several months.

## RECOMMENDATION 6: REQUIRE ALL WORK BE SAVED TO THE NETWORK

We recommend that Lunenburg establish protocols so that all files are saved to the network, which is backed-up nightly. Given recent experiences and the importance of the town's data and management reports, staff should be discouraged from using their local drives or producing permanent records and time-sensitive reports without saving them to the network for easy access at a later time.

## RECOMMENDATION 7: DEVELOP A DISASTER RECOVER PLAN

We recommend that officials develop a written technology recovery plan. Although the town has taken precautionary steps to protect critical data, including performing routine backups, a recovery plan would assist the community in the event of a disaster. Such a plan addresses the following issues:

1. Identify the maximum acceptable down-time for municipal operations and the maximum acceptable data loss (in terms of days);
2. Ensure that the routine backup and storage of data allows you to meet the requirements set;
3. Build and implement a well-documented, written plan that sets-out the steps to be taken in the event of a minor or major data loss event. Test and update the plan regularly;
4. Train staff so that their individual and collective response is immediate and confident in the case of an event. Assign responsibilities and identify outside people or consultants to be contacted; and,
5. Analyze the cost of the recovery program and allocate the resources necessary to implement it. Balance the value of data with the cost of recovery.

## RECOMMENDATION 8: ACTIVATE THE REMOTE ACCESS FEATURES

We recommend that departments be granted remote access to enter data directly into MUNIS. With remote, read-only access, each office would be able to view the status of its budget. However, a major efficiency gain would be that staff could enter all financial information (e.g., departmental receipts, payroll, requisitions, and vendor payments) at the departmental level. This would enable the treasurer's and accountant's offices to review the electronic submission against backup documentation, provided in hardcopy, before accepting and posting it to the departmental receipt, payroll, purchase order, and accounts payable systems. Once established, even though hardcopy information is exchanged, the electronic transmission of data will greatly reduce the amount of manual entries the finance offices are performing, thereby freeing up staff to perform other management and analysis activities.

## RECOMMENDATION 9: PROVIDE OTHER TECHNOLOGY TRAINING

While MUNIS training is scheduled, we recommend that the technology department survey office staff on their knowledge and use of other available computer applications. This will help the technology staff to identify training needs and to develop appropriate level courses that will enable staff to make better use of the computer systems. In turn, exploring ways to operate more efficiently can free up valuable staff time.

## RECOMMENDATION 10: INCREASE USE OF SHARED DIRECTORY

We recommend that commonly used information and resources be placed in a shared directory on the network that is accessible to all departments. This would include policies and procedures, forms, scanned labor and vendor contracts, and the GIS. Making this information widely available, enables staff to access and/or refer to the contents without having to disrupt other offices' operations. In addition, storing documents electronically would reduce the need for keeping duplicate files in each department.

## RECOMMENDATION 11: UPDATE AND EXPAND THE WEBSITE

We recommend that Lunenburg update and expand its Internet website. A comprehensive, up-to-date, and accurate website would help generate public awareness and confidence in government. In other communities, user-friendly and informative websites have proven successful in reducing the amount of time that town employees spend fielding questions in person or on the phone. To do this, the technology department or computer advisory committee should work with each town department to set up its web page and provide simple instructions on how to update or replace files. Once the web pages are established, each department would be responsible for maintaining current and up-to-date information. Simple reference manuals for less technology-savvy users will enable them to replace or update files as new data becomes available. Any redesigning or substantial changes to a web page may require further assistance from the technology department as its staff time allows. The technology staff should periodically monitor department web pages to confirm that these goals are being achieved and to help with corrective action if they are not.



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## TREASURER/COLLECTOR'S OFFICE

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Since the adoption of the town's charter in 1999, the treasurer and collector positions have been combined and appointed. The treasurer/collector's office is responsible for receiving tax, excise, utility, and betterment payments, preparing deposits, and posting receipts to the appropriate account. The office also manages the town's cash (including the investment, disbursement, and borrowing of cash) and oversees tax title and foreclosed property accounts.

The office is staffed by a treasurer/collector, an assistant treasurer and an assistant collector. The treasurer/collector has been employed with the town for a year. She has accounting skills from her prior employment but no municipal collection or treasury experience. As such, she has been learning on the job and has attended training courses presented by the Massachusetts Collectors and Treasurer Association (MCTA), Melanson Heath & Company, and the Abrahams Group. The assistant collector and assistant treasurer each began in the office as clerks seven and three years ago, respectively. Both were promoted to their current positions after the departure of the prior assistant treasurer/collector and office reorganization in 2007. Similar to the new treasurer/collector, the assistants' training has been on the job, including attendance at some sessions of the MCTA annual school.

Because of the small staff, each has primary responsibilities and they are cross-trained for short-term office coverage. The staff process approximately 5,000 property tax bills quarterly and 10,200 motor vehicle excise bills annually, all of which are printed and mailed by outside services. They handle roughly 450 sewer user accounts quarterly (the bills are printed by the public works department) and post payments to about 750 betterment accounts annually. While the entire staff pitches in during busy collection times, the assistant collector primarily takes in all payments, posts to MUNIS, and turns over checks and cash to the assistant treasurer for deposit. She also prepares about 390 municipal lien certificates annually. Daily, the assistant treasurer takes in and counts all receipts turned over by departments, scans checks for electronic submission to the bank, makes cash deposits, and prepares a turnover report of receipts for the accountant. The assistant treasurer also processes bank transfers, handles voided and bounced checks, and reconciles the bank statements to the cash book. The treasurer/collector supervises the staff, maintains the cash book, and manages the town's debt service accounts.

When the treasurer/collector took office, her position had been vacant for a few months. She had no municipal finance knowledge and inherited a cash variance from the accountant's June 30, 2007 general ledger of over \$45,500. To assist the treasurer/collector with training and reconciling her books, the CAFO hired a consultant, Community Solutions, to help her:

- Learn the duties of the office,
- Create a cash book in Excel and maintain it,
- Establish standard departmental turnover forms and written procedures,
- Reconcile the cash book with bank statements and then with the accountant,
- Review monthly receivable balances internally and then externally with the accountant.

In addition, the consultant attempted to resolve the June 30, 2007 cash discrepancy. However, the \$25,000 appropriated to fund this project ran out in May, leaving the variance unidentified.

The treasurer's cash book is the source of original entry for recording receipts and deposits, disbursements summarized by warrant and transfers between accounts. It should show the total cash position of the town and provide control that enables the treasurer to reconcile her records with bank statements and cash on hand to the accountant's general ledger balance on a monthly basis. Used in conjunction with a cash flow budget, the treasurer can monitor account balances to ensure sufficient funds are available to meet the community's spending needs and maximize investment opportunities. However, she does not maintain a cash flow budget.

In Lunenburg, the treasurer maintains the cash book in a series of Excel spreadsheets that is comprised of 45 bank accounts. A spreadsheet is kept for each month that the treasurer enters deposits, warrants, transfers, and interest income. At the bottom of each bank account column, there also is a space to enter the bank statement balance and lines are available to identify variances such as deposits in transit or outstanding checks that enable the treasurer to perform her internal reconciliation.

In reviewing the cash book provided, we note some areas of concern. In the June 2008 spreadsheet, the cash book column balances are reported to be reconciled with the bank statements. As a part of this reconciliation process, some revenues in transit were reflected in the depository account columns, but there were no outstanding checks noted (either in summary or detail) in the two vendor payment accounts, which had a combined \$213,638 bank balance per the statements. In addition, we found that the payroll account was not included in the cash book. According to the treasurer, she does not maintain a column for the payroll account because it is zero-balancing in which only enough funds are transferred from a depository account to cover each approved warrant. However, as of June 30, the payroll account bank statement revealed an outstanding amount of more than \$45,000. When asked for a detailed listing of all outstanding amounts, which generally are made up of returned or unclaimed payroll, vendor or refund checks, commonly referred to as tailings, the treasurer could not provide a breakdown.

With regards to the reconciliation of the cash between the treasurer/collector and the accountant, the consultant helped the town establish a monthly process that requires the treasurer to reconcile internally to the bank statements before submitting her balances to the accountant. While the treasurer/collector's staff reports daily receipts and collections to the accountant and reportedly reconciles to the bank statements, a monthly report of all bank account balances has not been provided to the accountant. Consequently, cash reconciliations were not completed during FY2008 and remain unresolved as of this writing.

According to the assistant collector, about 2,870 or 19 percent of all tax and excise accounts' bills are received through Internet and escrow (real estate taxes via mortgage companies) collection services, and are electronically posted to the appropriate account. All other committed payments, received through the mail and over-the-counter, are posted manually to MUNIS.

To monitor the outstanding tax, excise and utility billings, the office has a receivable control. As of June 30, 2008, the receivable control contains detail information for real estate taxes (FY2007

and FY2008), personal property taxes (FY1998-FY2008), and motor vehicle excise (FY1997-FY2008). This information should be reconciled internally and then externally with the accountant's office monthly. However, for the last two years, receivable reconciliations generally have been conducted after the close of the fiscal year, though for a very brief period they were done monthly during FY2008. In reviewing the receivable control against the accountant's trial balance report, we found that the accountant's ledger is carrying personal property tax and motor vehicle excise receivables for more years than the collector's records reflect. We also found a number of real estate tax credit balances exist within the FY2007 and FY2008 receivable detail that had not been researched for accuracy and, if warranted, refunded to the taxpayer.

Once a tax or an excise bill becomes past due, a demand notice is issued. If a real estate tax remains unpaid, the treasurer/collector contacts the taxpayer and may set up a payment plan. If a property is in tax title then the subsequent taxes are added before the fall and new takings generally are done before the close of the subsequent fiscal year. Once in tax title, the treasurer/collector uses the services of an attorney to pursue foreclosure remedies.

In reviewing the treasurer/collector's detailed tax title files, we found three properties reportedly taken by the town that in fact were never recorded at the Registry of Deeds and a few properties that changed ownership prior to or after recorded tax title takings. We also found a couple of tax title properties that appear to have been paid in full, yet the treasurer has not released the liens.

To pursue outstanding excise accounts, the collector uses a deputy collector. The town gives him a warrant and he completes online license and registration markings for non-renewal status with the Registry of Motor Vehicles. The deputy collector deposits funds to a bank account in the town's name, but the statements are not mailed to the collector because it is not a town account. Weekly, the deputy collector prepares a turnover report of the collections made and includes two checks, one for the deputy's service fees and one for the net revenues to the town, for the treasurer's signature.

## RECOMMENDATION 12: MAINTAIN COMPLETE CASH BOOK AND RECONCILE PROMPTLY

We recommend that the treasurer maintain a complete cash book. The cash book should contain all bank accounts, including any zero-balancing accounts. Dated entries in the first column should include a pre-numbered reference system to clearly differentiate individual deposits or departmental turnovers, payroll and vendor warrants, and transfers between accounts should balance.

We recommend that the treasurer/collector's and accountant's offices conduct prompt, monthly cash reconciliations. Shortly after the end of each month, the treasurer's office should internally reconcile the cash book account balances 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 accountant's general ledger, ensuring that funds are not missing and that 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 create sub-accounts in a general municipal trust account. It can segregate the sub-accounts' monthly deposits, withdrawals, transfers, and interest 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 document and research the returned or unclaimed checks, commonly referred to as tailings. 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 M.G.L. c. 200A, §5. A municipal treasurer holding abandoned checks may turn them over to the state treasurer (M.G.L. c. 200A, §7). Alternatively, the treasurer may advertise the unclaimed checks herself and hold hearings to settle any claims (M.G.L. c. 200A, §9A). After complying with all legal requirements of M.G.L. c. 200A, any remaining unclaimed monies are credited to the municipality's general fund.

#### RECOMMENDATION 13: CREATE A MONTHLY CASH FLOW BUDGET

We recommend that the treasurer create a monthly cash flow projection budget. A cash flow budget is a useful tool that can help the treasurer anticipate periods of low cash balances and better manage short-term investment and borrowing. A simple Excel spreadsheet can be devised to serve as a cash flow budget. By applying past patterns of monthly spending and collections (as evidenced by warrants and monthly revenue reports) to current year appropriations, and overlaying projected debt service obligations, a reasonable forecast of the town's cash flow will emerge. Through the course of the year, the cash flow forecast can be adjusted for unexpected circumstances, and actual monthly costs or revenues should replace estimates.

#### RECOMMENDATION 14: RECONCILE RECEIVABLES MONTHLY

We recommend that the treasurer/collector's and accountant's offices conduct prompt, monthly receivable reconciliations. Frequent reconciliations make it easier to identify problems as they occur and take corrective action. 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. Delaying can complicate the process and could impact the completion of the annual audit and certification of free cash.

## RECOMMENDATION 15: CONTINUE PROFESSIONAL TRAINING

We recommend that the treasurer and her assistants continue to attend professional training courses. The staff need to strengthen their skills and improve the operation of this office. Attending formal professional training and refresher courses will provide useful information and opportunities to learn about alternative professional practices conducted in other municipalities. Training also will help each assistant become prepared to assume the role and responsibilities of the treasurer/collector in her absence. In a pro-active way, interruptions or delays to maintaining up-to-date records can be prevented and obstacles to safeguarding town assets can be avoided.

## RECOMMENDATION 16: ENGAGE A LOCK BOX SERVICE

We recommend that the treasurer/collector consider a lock box service. A number of financial institutions offer lockbox services to collect tax or other payments by mail and process the payments through their collection system. The service deposits payments into a municipal bank account and returns daily electronic (and/or hardcopy) receipt reports to the client community. To post the payments, the staff review the file and, if it reconciles to the deposit, upload the information to MUNIS. A contract between the town and a lockbox service would specify the scope of services to be provided and how costs would be calculated, which typically is on a per piece basis.

As a major benefit, these services free-up staff time by reducing over-the-counter and mail payments at the treasurer/collector's office. The process makes posting automatic, accelerates deposits, makes funds available sooner, and improves investment earnings. Additional interest earned and efficiencies gained help offset the cost to the town for the service. However, a successful lockbox payment service also relies on a certain amount of public relations. The town should seek ways to inform the public and encourage their use of these services in returning tax and other payments.

## RECOMMENDATION 17: ESTABLISH DEPUTY COLLECTOR ACCOUNT AND PAY FEES BY WARRANT

We recommend that the treasurer/collector establish her own account for the deposit of all amounts collected by the deputy collector and process his fees through the warrant. A deputy collector may not receive checks for tax payments that are made out to him, nor may he endorse any instrument payable to the town. In addition, a deputy may not deposit municipal funds in a personal bank account nor may he maintain a personal bank account in the name of a community (M.G.L. c. 60, §92). A deputy collector must turn over to the collector at least weekly, all amounts he collects or deposits into a community controlled bank account. Furthermore, because of a town bylaw (Article II, Section 9) that requires all town clerk and collector's fees be turned over to the treasurer, the treasurer/collector should pay deputy collector's service fees through the warrant process.

## RECOMMENDATION 18: RESEARCH CREDIT BALANCES

We recommend that the treasurer/collector's office run real estate credit balance reports monthly. A credit balance report allows the staff to identify accounts that may require research to determine whether a possible prepayment, excess payment or posting error has occurred. It should be a goal of the staff to monitor activity and to resolve credit balances before the close of the fiscal year.

## RECOMMENDATION 19: PURSUE OUTSTANDING AMOUNTS

We recommend that the treasurer/collector research missing personal property and motor vehicle excise receivable balances. The treasurer/collector should review receivable detail information from prior to the MUNIS conversion to the present to determine if these figures are correct. If they are correct, then the treasurer/collector should add the detailed information to her records in MUNIS. Otherwise, the accountant will have to make adjusting entries to the general ledger to bring the offices' balances into agreement.

We recommend that the treasurer/collector use the services of the deputy collector to pursue outstanding personal property accounts. The deputy collector may be able to obtain money owed the town or 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, she should work with the assessing office and Commissioner of Revenue to have them abated and cleared off the town'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 town meeting.

We recommend the treasurer/collector contact the assessing office about abating motor vehicle excise determined to be uncollectible. The deputy collector should be able to assist in this task. Abating the older amounts will help clean up and reduce the town'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 town may be easily recommitted by the assessors on a special warrant so the treasurer/ collector may accept the payment.

## ACCOUNTANT'S OFFICE

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The primary responsibilities of the accountant's office are to maintain the town's general ledger; to review invoices and prepare warrants; to produce trial balance, revenue, and expenditure reports; to maintain information on debt; and to reconcile cash and receivables with the collector and treasurer. In addition, this office is responsible for processing town payroll.

In Lunenburg, this office is staffed by an accountant, a payroll coordinator, a human resources and benefits coordinator, and a part-time clerk. While each has primary responsibilities, the staff are cross-trained. While not a part of the accountant's staff, the school business manager also is located in the same office.

The payroll coordinator prepares, distributes, and then collects town and school timesheets biweekly. She reviews timesheet submissions, enters payroll information into MUNIS on an exception basis, calculates payment of deductions, reconciles figures with other accounting staff, and prepares separate warrants for the selectmen's and the school committee's action. The payroll coordinator tracks employees' accumulated personal time balances, which are kept in a central data base and reported on an employee's payroll stub.

The human resources and benefits coordinator's time is split between (non-school) human resource activities and the town and school purchase orders. Town employees meet with this coordinator to enroll or make changes to their retirement, life, health and other insurance coverage as well as to acknowledge their review of Lunenburg's package of personnel policies (e.g., computer use, email, Internet, and harassment). The human resources and benefits coordinator also handles all town and school requisition requests, which are reviewed for compliance with procurement and bidding laws and approved by the CAFO's office. The coordinator encumbers the funds, creates the purchase order (PO), and distributes the POs to departments.

The part-time clerk handles the town's accounts payable, alternating vendor bills one week and deductions the next, which coincides with the biweekly payroll schedule. Invoice submissions are reviewed for completeness, accuracy and compliance with contracts and grant agreements before they are included on the warrant for the selectmen's approval. Without proper documentation, a bill is set aside until the missing information is presented. The part-time clerk reviews the treasurer's daily report of departmental receipts, compares them to departments' turnover sheets and posts reconciled batches to MUNIS.

The accountant reviews all the work produced in the office. She alone makes journal entries and signs all warrants prior to the selectmen taking action. She conducts all reconciliations and prepares all external reports. In the accountant's absence, no one is trained or authorized to assume her responsibilities for a brief or extended period, potentially exposing the town to disruptions in activity or the need to hire outside assistance.

Throughout the year, the accountant produces monthly expenditure and revenue reports to verify and monitor the town's financial activity. Generally, expenditure reports are given to the

CAFO, selectmen, finance committee, and departments monthly. Departments reconcile the expenditure reports to their internal records and report variances if they exist. Revenue reports are also prepared and given to the CAFO, selectmen and finance committee during the budget process or upon request. Where applicable, revenue and expenditure reports for special funds and grants that must balance with the accountant's records also are distributed to departments. Revenue and expenditure reports should be released shortly after the close of each month, but they are distributed as time allows the accounting staff to generate them. In addition, the accountant generally does not release reports during the first fiscal quarter because prior year's encumbered amounts are included in the current year's reported expenditures until the books are closed, which can lead to confusion for the department reviewing a pre-closing report.

The accounting staff also generate monthly receivable and trial balance reports, which are used to reconcile with the treasurer/collector's receivables and cash. These reconciliations should be conducted shortly after the close of each month, but are usually done after the close of the fiscal year. The accountant produces the balance sheet that DOR uses to certify free cash. She also prepares the Schedule A, a year-end fiscal statement of revenue, expenditures, and fund balances. Over the past seven years, Lunenburg has not met the October 31 filing deadline and fortunately has not had its state aid withheld. The accountant explains that the delay in filing the Schedule A is the result of competing demands on her time—closing the books, conducting reconciliations, preparing for the outside auditors—in addition to daily work.

## RECOMMENDATION 20: CREATE ASSISTANT ACCOUNTANT POSITION

We recommend that the town upgrade an existing position to serve as an assistant accountant (MGL Chapter 41 §49A). Given the growing complexities of municipal finance, increasingly communities are appointing assistant accountants who are trained in all aspects of the office. The assistant should possess good accounting skills and demonstrate knowledge of Massachusetts municipal finance laws, regulations, procedures and concepts. With proper training, the assistant would be able to help the accountant in the management, reconciliation, and report generating activities of the office and have the authorization to act in the accountant's absence, including signing the warrant.

## RECOMMENDATION 21: CONDUCT RECONCILIATIONS PROMPTLY

We recommend that the accountant reconcile the town's cash and receivable balances with the treasurer/collector's office at least monthly. While daily turnovers match departmental reports received, reconciliations of all cash balances are not being completed until after the close of the fiscal year, which is when receivables are reconciled. The accountant's office needs to make a concerted effort with the treasurer/collector to reconcile cash and receivables each month during the year to identify possible



problems. Frequent reconciliations make it easier to locate and correct posting errors, minimizing the additional workload at year's end and ensuring the cash and assets of the community are safeguarded.

#### RECOMMENDATION 22: PROVIDE EXPENDITURE AND REVENUE REPORTS ELECTRONICALLY

Using the read-only remote access feature of MUNIS, we recommend that the accountant notify departments by electronic mail when each month's expenditures and revenues are posted so year-to-date budget reports may be viewed and/or printed locally. This will enable each department to access the reports, to reconcile to internal records, and to communicate with the accountant on the results (either agreement or a variance). If the prior year's closing is not complete in the early months of the new fiscal year, the accountant should advise affected departments of the prior year encumbrances that are included in the current year's expenditures and how to back out these figures for reconciliation purposes.

#### RECOMMENDATION 23: SUBMIT SCHEDULE A ON TIME

We recommend that the accountant prepare and submit the Schedule A on time, every year. The Schedule A is a detailed statement of the revenues received, expenditures made and all other transactions related to the town's finances during the previous fiscal year. This information is retained in the DLS municipal data bank and also sent to the U.S. Census Bureau to fulfill federal reporting requirements.

## ASSESSING OFFICE

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The assessing office is responsible for determining full and fair cash valuations, classifying all property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect property taxes and excise. The assessing office maintains assessment data on approximately 5,000 real property parcels and personal property accounts, 10,200 motor vehicle excise accounts, and 750 betterment accounts. In addition, the office processes approximately 300 building permits, 210 deed transfers (120 of which are property sales), 50 abatements (60 in recertification year), and 180 exemptions annually. The town's real and personal property assessment records are maintained on the Community Software Consortium (CSC) computer assisted mass appraisal (CAMA) software, which is used to compile analytical reports and property tax commitments. Lunenburg's property database, maps, and forms are accessible online through the town's and/or CSC's websites.

Reporting to an elected board of assessors, an administrative assessor and a part-time clerk staff the office four days a week (Monday through Thursday). The administrative assessor oversees the daily office operation. She maintains office files, oversees the personal property and classified chapter land accounts, and manages the motor vehicle excise accounts. The clerk records deed transfers, enters permit information into the CAMA system, handles exemption and abatement applications, and performs other duties as assigned by the administrative assessor. Both staff members enter property information and sketches into the CAMA system and respond to public inquiries by telephone and at the service counter. Both staff have been with the office almost two years, have received basic data management CAMA training, and will participate in the MUNIS training during FY2009.

In addition, Lunenburg shares a contractual regional assessor, Regional Resource Group (RRG), with the town of Ashby. Under the contract, an RRG staff person is on location in town hall at least two days per week and the RRG team is available to respond to inquires and to provide technical assistance remotely by computer. RRG staff conducts on-site inspections to measure and list properties where a building permit has been issued and locates new businesses to determine the taxable personal property. RRG also inspects most sale properties, but well after the transfer date. RRG determines real and personal property values, prepares DOR reports, reviews abatement and exemption requests, provides recommendations to the board for its approval, and handles appeals. RRG oversees assessors' map updates by an outside vendor and maintains the assessors' GIS application. RRG updates all real and personal property files triennially in preparation for certification by DOR and analyzes property sales and income and expense statements for interim property value adjustments in the intervening years. For these combined services, Lunenburg budgeted \$53,000, \$54,600, and \$56,200 for FY2007, FY2008 and FY2009, respectively.

Under a separate contract, RRG just completed a three-year full re-inspection program at a cost of about \$178,500. A cyclical re-inspection program involves an interior and exterior inspection of all town property that must be completed over a period not to exceed nine years according to Bureau of Local Assessment (BLA) guidelines. The primary benefit of this program is to provide the assessors'

office with current, accurate data. From these inspections, any changes in the property descriptions are entered into the CAMA system and may result in additional new growth for the town. A cyclical re-inspection program may be performed in-house or it may be contracted to an appraisal consultant.

In reviewing the town's assessment data, we found about 40 properties for which the ownership is unknown. Many have existed for years, while others were discovered as a result of the FY2007 remapping of the town. Most of these have been coded as tax-exempt or town-owned properties so tax bills are not issued and mailed. However, Lunenburg has not received the Commissioner of Revenue's permission to assess these to Owners Unknown.

The office is located in a small space that has limited filing storage and the staff are in full view of the public from the service window. Because this office is located closest the town hall front door, the staff experience a fair number of interruptions from general foot traffic and non-assessing inquiries.

#### RECOMMENDATION 24: ATTEND CAMA TRAINING

We recommend that the office staff attend additional CAMA training programs. Training programs on information queries, development of reports, valuation basics, and the personal property application are available and would be beneficial to the administrative assessor and clerk. These classes are designed for new users, but also provide advanced learning opportunities on alternative methods with which to accomplish functions with the CAMA system, as well as provide networking opportunities with other end users. A list of training programs may be found on the CSC website ([www.csc-ma.us](http://www.csc-ma.us)). Classes are scheduled throughout the year or may be conducted in individual sessions.

#### RECOMMENDATION 25: CONDUCT SALES INSPECTIONS AT THE TIME OF TRANSFER

We recommend that the regional assessor inspect the interior and exterior of all sale properties at the time of the transfer. 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 its true characteristics or condition. 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 (e.g., fire and sewer departments) that schedule property visits because of a pending sale would ensure timely, interior inspections for the assessing database. It would reduce the number of scheduled town visits to the same properties and assist in the town's cyclical re-inspection program.

#### RECOMMENDATION 26: SEEK PERMISSION TO ASSESS TO OWNERS UNKNOWN

We recommend that the assessors research the ownership of any parcels in question and, if unable to find the current owner, seek the authorization from the Commissioner of Revenue to assess

to persons unknown (M.G.L. c. 59, §11). The assessing office should perform a thorough review of its records and deed information to help identify the ownership of the parcels in question. If an owner is determined, the assessors should send him/her a bill for all years' uncollected taxes. If no owner is found, the assessors will have to request authorization of the Commissioner of Revenue to assess to "owners unknown." The assessors should provide with their request an account of all attempts to determine who the owner is. Once the town receives permission to assess to owners unknown, the assessors should bill for the prior years' taxes that were improperly assessed. With clear authority to assess to owners unknown, the town may obtain title to the property through the tax title and foreclosure process.

#### RECOMMENDATION 27: ACCOUNT FOR THE TELECOMMUNICATIONS DECISIONS

We recommend that the assessors adjust the overlay balance to mitigate any potential telecommunication liability. In 2008, the ATB ruled that Verizon NE is subject to personal property taxation by cities and towns on poles and wires over public ways. The case involved the valuation and taxation of landline machinery, poles, wires, underground conduits and pipes. The ATB subsequently issued a ruling in a case involving MCI that valuations also include any construction work in progress and all other property in place, but not in service, and that partnerships, trusts, and limited liability corporations are subject to central valuation and assessment on all telephone machinery.

At stake is millions of dollars in potential personal property tax revenue for cities and towns. However, until the central or local valuation appeal process is complete, DOR requires that cities and towns place and retain sufficient amounts in their overlay accounts, dating back to FY2004, to cover the new tax revenue as potential abatements or refunds may result in the event that the rulings are not upheld. In order to assist city and town assessors to make adequate provisions in their overlay for the potential liability, BLA has provided information on these telecommunication issues and valuation data specific to each community on the Bureau of Local Assessment page at [www.mass.gov/dls](http://www.mass.gov/dls).

#### RECOMMENDATION 28: CONSIDER RELOCATING OFFICE AND PROVIDE A PRIVATE WORK SPACE

When the town hall office space is rehabilitated, we recommend that the assessors' office be moved away from the front door and that a private space be constructed so the regional assessor and administrative assessor may focus on tasks without constant interruptions. We understand that once the land use offices are moved to the Ritter Building across the street, second floor space in town hall will free up. However, there is no funding or current plan to relocate the remaining offices and/or rehabilitate the first floor space at the present time. If the town chooses to renovate town hall, we suggest that the assessing office be relocated away from the front door with an enlarged space to accommodate storage needs and a private office out of the public view.

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## ACKNOWLEDGEMENTS

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This report was prepared by the Department of Revenue, Division of Local Services.

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