

FINANCIAL MANAGEMENT REVIEW | TOWN OF LYNNFIELD

DECEMBER 2018



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

December 20, 2018

Board of Selectmen
55 Summer Street
Lynnfield, MA 01940

Dear Board Members,

I am pleased to present the enclosed financial management review for the Town of Lynnfield. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the request of the board of selectmen, the Division of Local Services (DLS) completed this financial management review for the Town of Lynnfield. A team from the Technical Assistance Bureau (TAB) conducted the review in consultation with staff from the Division's Bureau of Local Assessment (BLA) and Bureau of Accounts (BOA). The scope of the report includes the town's financial management structure and operations, succession planning, and the use of information technology.

Shortly after the request was submitted in late 2017, the town administrator resigned. In early 2018, the town hired a new town administrator with over 16 years of municipal management experience and a new management approach, which has energized staff. Against this backdrop, our report offers recommendations designed to help the town effectively coordinate financial operations, increase efficiencies, plan for departmental succession, and improve financial planning practices.

BACKGROUND

Located about 20 miles north of Boston, Lynnfield is a primarily residential community with a population of 12,761. Governed according to a 1971 home rule charter, the town's legislative function takes the form of an open town meeting while its executive body is a three-member board of selectmen. An eleven-member finance committee is charged with ensuring that a balanced budget is presented to town meeting. Five members of the finance committee are appointed by the selectmen, with the others appointed by the elected moderator. The selectmen also appoint the town administrator, who oversees day-to-day municipal operations. An elected five-member school committee oversees Lynnfield's K-12 school district. The town provides full-time police and fire service, as well as curbside trash and recycling services under a department of public works. Other services include two municipal golf courses, a public library, council on aging, and recreation department. Of the financial department heads, only the combined treasurer/collector is appointed by the town administrator. The assessing manager is appointed by the board of assessors (an elected board), while the town accountant is appointed by the selectmen.

The new town administrator presents an opportunity to reform some longstanding practices, and working with the selectmen, has developed a series of goals centered on improving financial operations, facilitating communication, enhancing IT administration, and refining the capital and

operating budget process. The goals have been posted on the town’s website as a document titled [“Town Administrator Goals for 2018-19.”](#)

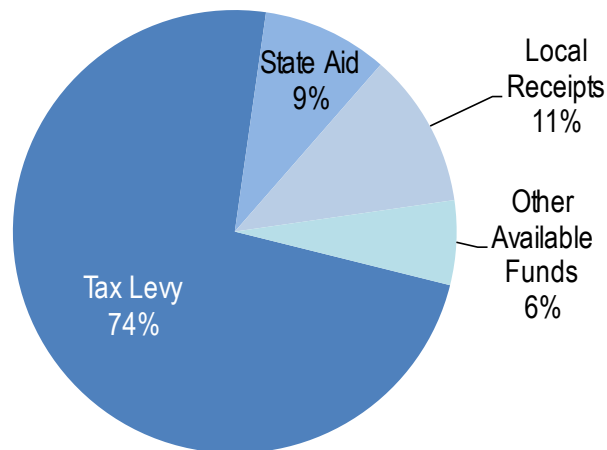
In implementing these goals, the town administrator has embraced a team-oriented approach for budget and financial matters by assembling a group consisting of himself, the assistant to the town administrator, town accountant, and the school business manager. The team meets monthly to discuss any fiscal issues facing the community and to keep each other informed on new developments. Another recent practice established Monday-morning department head meetings, which staff has reacted positively to. We encourage the administrator to continue to use these meetings as a problem-solving forum.

Several of the administrator’s goals refer to improving financial planning and the budget process. He and the town accountant have since developed a three-year financial forecast, which they recently presented to the board of selectmen and incorporated into their financial planning. The administrator plans to use this as a starting point for additional enhancements in budget development.

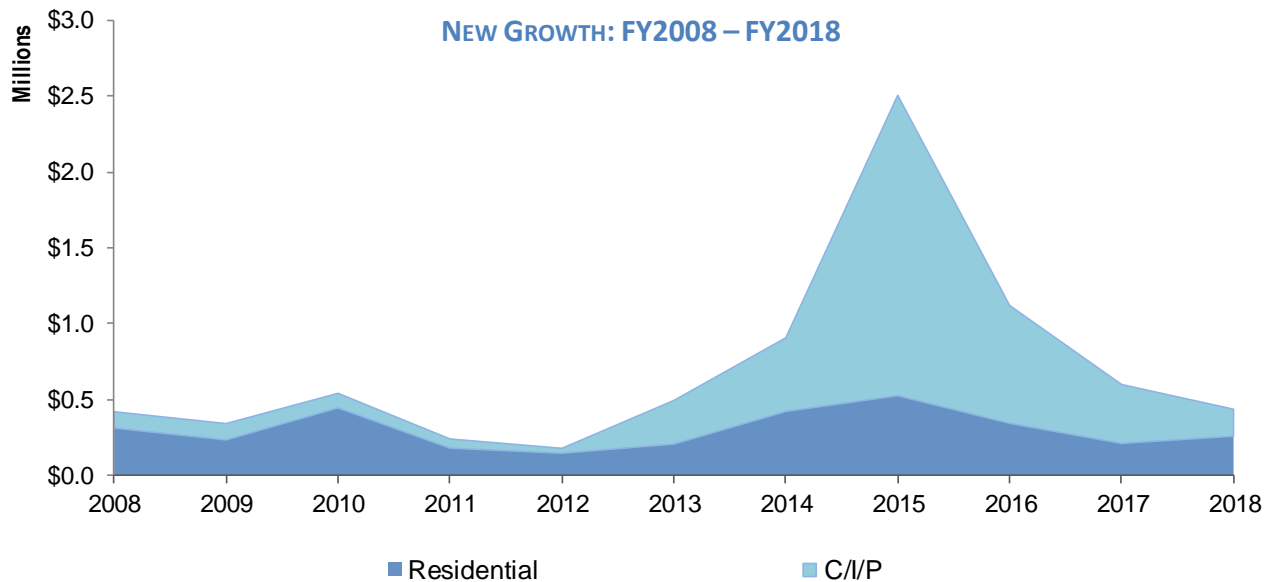
Financial Overview

Lynnfield is a relatively affluent community, with an EQV per capita of \$235,653 and an income per capita of \$70,475, both above the state and Essex County average. In addition, the town’s AA+ bond rating from Standard and Poor’s reflects its strong financial management and a healthy local economy. Of the town’s \$59.7 million dollar FY2018 budget, \$43.8 million is from the tax levy, \$5.5 million from state aid, \$6.7 million from local receipts, and \$3.7 million from other available funds.

FY2018 REVENUES BY SOURCE



The town has experienced a recent period of healthy new growth, largely because of the Market Street complex in south Lynnfield. Market Street is a 600,000+ square foot development comprised of retail, restaurant, and office spaces, as well as nearby apartment buildings. As the graph below demonstrates, this has led to a temporary spike in growth in the commercial/industrial/personal property (C/I/P) between fiscal years FY2014-16. However, new growth has readjusted closer to historical levels since this period, underscoring the importance of continued fiscal discipline. Also, at the time of our visit the Market Street developer had two years of appeals pending in the Appellate Tax Board (ATB), but the town has reserved sufficient funds in its overlay account to cover the possible liability.

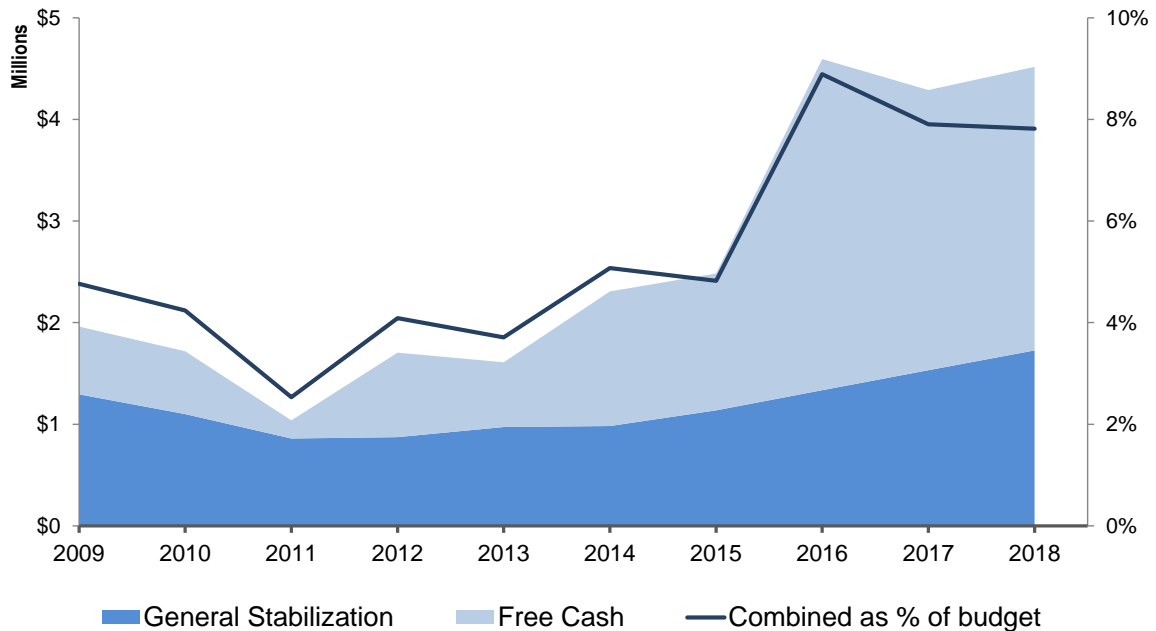


Lynnfield’s main reserves consist of free cash and a general stabilization fund. Other funds include a capital facilities fund, recreation trust fund, and an other post-employment benefits (OPEB) trust fund. The town manages these reserves according to adopted financial management policies. For instance, the policy calls for a stabilization fund balance equivalent to 3 to 5 percent of the general fund operating budget, a capital facilities fund of 1 to 3 percent, and an annual certification of free cash in the range of 3 to 5 percent. As the data below shows, Lynnfield has steadily grown its general stabilization fund, and in FY2018 achieved its policy target of 3 to 5 percent of the general fund operating budget. Free cash had hovered below the 3 percent target, but in FY2015, the town began a practice of reserving a portion of its free cash as a starting balance for the succeeding year’s certification. As a result, the town has reached its target range for combined reserves since FY2016.

FINANCIAL RESERVES

Fiscal Year	Free Cash	General Stabilization	Combined FC + SF	Capital Facilities Fund	Recreation Trust	OPEB Trust
2009	\$ 666,652	\$ 1,294,514	\$ 1,961,166	\$ 781,181	\$ -	\$ -
2010	\$ 618,047	\$ 1,099,760	\$ 1,717,807	\$ 684,426	\$ -	\$ -
2011	\$ 178,241	\$ 859,499	\$ 1,037,740	\$ 591,175	\$ -	\$ -
2012	\$ 831,843	\$ 872,834	\$ 1,704,677	\$ 600,371	\$ -	\$ -
2013	\$ 637,045	\$ 972,642	\$ 1,609,687	\$ 599,640	\$ -	\$ -
2014	\$ 1,324,742	\$ 982,226	\$ 2,306,968	\$ 580,245	\$ -	\$ 100,041
2015	\$ 1,347,372	\$ 1,136,601	\$ 2,483,973	\$ 733,307	\$ -	\$ 200,373
2016	\$ 3,259,998	\$ 1,335,050	\$ 4,595,048	\$ 926,100	\$ 61,450	\$ 401,886
2017	\$ 2,757,692	\$ 1,531,875	\$ 4,289,567	\$ 1,124,109	\$ 157,656	\$ 634,941
2018	\$ 2,791,608	\$ 1,726,518	\$ 4,518,126	\$ 1,319,853	\$ 244,046	\$ 981,079

As Percentage of Budget				
Fiscal Year	Stabilization	Free Cash	Combined	Capital Facilities
2009	3.15%	1.62%	4.77%	1.90%
2010	2.71%	1.53%	4.24%	1.69%
2011	2.10%	0.44%	2.53%	1.44%
2012	2.09%	2.00%	4.09%	1.44%
2013	2.24%	1.47%	3.71%	1.38%
2014	2.16%	2.91%	5.07%	1.28%
2015	2.21%	2.62%	4.83%	1.42%
2016	2.58%	6.31%	8.89%	1.79%
2017	2.82%	5.08%	7.90%	2.07%
2018	2.99%	4.83%	7.82%	2.28%



Budget Process

Lynnfield's budget process is defined by the town charter and assigns primary responsibility for budget development to the town administrator. In practice, the budget cycle may begin as early as May, when the administrator develops goals for department heads. Then, in the fall, the town administrator holds a budget summit with the select board and school committee chairs, school superintendent, and department heads to provide budget instructions to departments (mainly on collective-bargaining based compensation increases) and discuss strategic goals. At the start of November departments begin preparing their budget requests for submittal to the administrator by November 30th, when staff data-enter their budget submissions directly into Munis (the town's accounting software). Once submitted, the town administrator reviews requests and meets with department heads as needed. The selectmen then hold a public budget hearing with the finance committee, giving departments a chance to present their requests. In past years, not all departments have consistently attended.

During our visit, we learned that while the budget process follows a schedule, it is not fully standardized. Recognizing this, part of the 2018-19 administrator's goals are to create budget request templates that include components such as formal goals and objectives, departmental mission statements, and detailed financial information. This includes formalizing the capital planning process by creating standardized capital forms and developing a strategic capital plan. As of the FY2019 budget cycle, the town administrator introduced a new capital request form intended to increase the useful information in departmental project submissions, and has made plans to develop a department-head committee to review capital submissions, in line with his goals.

Financial Management Overview

Based on our observations, Lynnfield's financial officers and their staff perform their duties with skill and dedication, but the town struggles to update a number of outmoded, inefficient practices. In addition, the town relies heavily on departments that consist of little more than a department head and a clerk. Small, busy financial departments leave little available time for professional development and training, making it more difficult to develop internal candidates to succeed experienced senior managers upon retirement. In addition, a disjointed approach to technology is symptomatic of the town's lack of a focused information technology plan, creating additional problems that must often be triaged by financial officers.

Together with a conscious effort to shift employee attitudes toward technology and implementing labor-saving techniques, our recommendations will increase departmental efficiencies and mitigate the risk presented by the town's lack of succession planning. Our advice relates to three main categories: aligning the town's overall financial management structure to meet present and future service demands; introducing efficiencies in day-to-day departmental operations that create space for employee development and succession; and developing a consolidated, strategic approach to information technology.

Town Administrator

According to Chapter 5, Section 7 of the town's charter, the town administrator oversees municipal operations and is responsible for personnel administration, procurement, developing the annual operating and capital budgets, and coordinating the town's approach to information technology.

In helping the town administrator fulfill his role, the assistant to the town administrator performs a broad mix of both high-level and administrative tasks. For instance, while benefits administration is handled in the treasurer/collector's office, other human resources functions (ranging from processing workers' compensation cases and managing the town's relationships with insurance vendors, to resolving minor interpersonal disputes among staff) fall to the assistant. The incumbent also oversees the town's compliance with procurement requirements, historically relying on public works personnel with procurement expertise to do so (although some of this institutional knowledge has been lost to retirement). He is also responsible for compiling and publishing Lynnfield's annual town report.

While the town administrator is ultimately responsible for the budget, the assistant plays a significant role in the process. He coordinates departmental budget for the select board and schedules and all meeting materials for hearings and the annual budget summit. During budget development, he compiles departmental submissions and prepares packets for distribution to the administrator, select board, and finance committee. He also provides commentary on the verbiage in the finance committee's final budget report to town meeting, and after town meeting, communicates the finalized budget to department heads.

The assistant to the town administrator also functions as the administrative assistant to the select board and town administrator, scheduling meetings, preparing all meeting documents, taking minutes, and publishing documents online. Additionally, he fields incoming phone calls and interacts with residents when they walk into the office. His de facto role as the public face of the administrator's office also extends to running the town website and managing Lynnfield's social

media accounts. Lastly, the assistant is responsible for any incidental tasks, including scanning paper documents into electronic copies, general filing, and recordkeeping.

At the time of our visit, town administration was in the process of reviewing the assistant's job description and title to consider elevating that position to an assistant town administrator. This change would strengthen and formalize the role's higher-level duties such as human resources administration and procurement. To bolster his procurement knowledge and credentials, the town plans to send the assistant to the Inspector General's training on Massachusetts procurement laws and practices. We encourage the town to pursue this training up through the assistant's earning a Massachusetts Certified Public Purchasing Official (MCPPO) designation. However, we are concerned that these additional responsibilities will stretch the position thin, making it difficult to devote sufficient time to both high-level and administrative tasks. We provide guidance to address these concerns in the recommendations section.

Town Accountant

The accountant's office has a legal obligation to oversee Lynnfield's financial activity. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and manages the system of internal controls established by state statute to monitor and protect local assets. To fulfill this responsibility, the staff prepare payroll and vendor warrants, maintain a general ledger (in which receipts, expenditures, and other town financial activity are recorded) and reconcile cash, receivables, and debt with the treasurer/collector. In a departure from standard practice, the town accountant also handles the debt issuances, which are usually a function of the treasurer.

As a senior-level manager and custodian of the financial records, the town accountant plays a central role in the development of the annual operating budget by providing support for analyses, forecasts, and projections. Appointed by the board of selectmen, the incumbent has been with Lynnfield for close to 17 years and is supported by a full-time assistant town accountant. The town accountant maintains the general ledger in the Munis financial management software application. Munis, which integrates the treasurer/collector functions and the school accounting department, provides transparency, and prevents the need for duplicate data entry.

As the town's Munis administrator, the accountant also provides frequent support to other departments for any related issues, particularly with the school payroll process. She also handles small IT issues for other departments, even though this is largely outside the scope of her duties and expertise. Recently, she assisted in the deployment and setup of new computer workstations in

town hall. To help alleviate some of the demand this places on her time she has trained other staff to use the town's RetroFit remote support software, but the lack of on-site help often makes it difficult to handle time-sensitive problems.

Under the new town administrator, the accountant has taken on a greater role in coordinating the budget process and helping the administrator achieve his budget-related goals. This includes maintaining a master spreadsheet of departmental budget data, as well as conducting historical analyses and projections of revenues and expenditures. While the town accountant functions as the de facto point person for all financial functions, she does not currently possess the authority or job duties to function as the financial director.

Treasurer/Collector

Treasury and collection functions are combined into one office and led by a full-time treasurer/collector appointed by the town administrator. The treasurer/collector has held her position for 27 years and is supported by three full-time staff, including an assistant to the treasurer/collector, payroll/benefits coordinator, and an administrative clerk. Also included in the department's budget is a vacant, part-time administrative position. As treasurer, she functions as the town's cash manager, has custody of all municipal funds, posts and deposits town receipts into appropriate bank accounts, and monitors balances to ensure that sufficient funds are available to cover obligations. Additionally, the treasurer maintains the cash book, debt schedules, check registers, and tax title and foreclosure accounts. As a financial control, she is obligated to reconcile cash balances, debt, and payroll deductions on a regular basis both internally and with the accounting office. The town's payroll and employee insurance benefits are also handled through this department, while human resource policies, procedures, and labor relations are managed by the town administrator's office.

As the town's tax collector, she receives all property and excise taxes and makes certain that collections are properly received, counted, and posted to taxpayer accounts. She also pursues delinquent accounts and places them into tax title. To be successful, she maintains an up-to-date receivable control that is reconciled regularly with the accountant's records. For the last few years, the collector has maintained a collection rate of over 99 percent for real and personal property receivables. Tax title is well managed with low receivables, and the town appropriately foreclosed on property as recently as FY2017.

Using Munis' payroll module, the payroll/benefits coordinator processes timesheets to generate a weekly payroll for town employees, a biweekly payroll for school personnel, a monthly payroll for

call firefighters and safety inspectors, and a quarterly payroll for stipends for elected boards. The administrative clerk and the assistant to the treasurer/collector share a number of office tasks, such as opening and sorting incoming mail, receiving and processing counter and mail payments, answering resident phone calls, and manually stuffing vendor checks. Individually, the assistant to the treasurer/collector processes motor vehicle excise (MVE) and real estate refunds, reconciles benefits bills, and sends tailing notices. Duties specific to the administrative clerk include issuing municipal lien certificates, keeping track of returned mail, and ordering office supplies.

Assessing

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitments authorizing the treasurer/collector to collect real estate, personal property, and motor vehicle excise payments. To ensure residents are taxed equitably and accurately, the assessing office maintains and updates property records with information received in response to mailings, from deeds, and through the on-site inspections of sale properties and properties for which building permits have been issued. Additional information is gathered during an ongoing property measure and list program. The assessors also act on and track any exemptions and abatements applied for by residents. The department also estimates new growth, provides information for tax classification hearings, recommends and releases the annual overlay, and provides levy information for use in the tax recapitulation sheet submitted to DLS for setting the tax rate.

The three-member, elected board of assessors approves property values, tax and excise commitments, abatements, and exemptions, while the department's full-time assessing manager is principally responsible for managing day-to-day operations. He supervises a full-time administrative assistant. Personal property valuation and related data entry, along with the computer assisted mass appraisal system, are contracted through Patriot Properties, an outside consultant.

The assessing manager functions as the department head and is responsible for residential sales and permit inspections and commercial valuations. Patriot performs the town's cyclical revaluation work on a contract basis. Communication of permit information between the building department and assessing office is effective but paper-based, and the town is in the process of developing an electronic permitting capability to increase efficiency. The administrative assistant handles customer service issues at the counter and by phone and prepares the motor vehicle excise commitments.

While assessing generally runs smoothly in Lynnfield, there is a persistent issue with transferring the Patriot CAMA's commitment file into Munis, allowing the treasurer/collector to generate tax bills. Lynnfield has a separate tax rate for residential and for commercial/industrial/personal property. The assessors also include the commitment for the Lynnfield Water District and Lynnfield Center Water district. The presence of the water districts and multiple rates results in a mismatch of data between Patriot and Munis, ultimately causing incorrect address information on bills. On an annual basis, on-site support from Munis personnel is required to create the final billing file. This process generally takes several days but despite the effort, erroneous bills inevitably make it through and must be abated.

Information Technology

Lynnfield does not have a town-side information technology (IT) department. IT is overseen by an external vendor, RetroFit, to monitor the network, perform nightly backups for storage offsite, and assist with hardware and local issues. All offices have Microsoft Office applications, virus protection installed and access to email and the internet. The school department has a well-staffed IT department and has assisted the town in the past, but due to conflicting priorities this is generally not an option.

Larger departments, such as police and fire, have had their own internal expertise, but historically this has been dependent on the knowledge of a specific employee rather than a formal IT position. Likewise, police and fire make independent technology purchases out of their departmental budgets. While all employees have access to RetroFit's desktop support, this service is offered remotely and typically not available for same-day, on-site issues. Otherwise, municipal departments typically fend for themselves or, increasingly, seek advice from the town accountant (although this is most often for Munis issues), who often acts as point person for technology-related tasks.

Our concern is that there is no central authority governing Lynnfield's technology planning and IT administration, and the town lacks a comprehensive asset list and upgrade plan. Compounding this is the lack of any in-house, professional IT expertise. While the town's contract with RetroFit covers some key IT concerns (offline backups and desktop support) there is no professional expertise available when the town makes technology decisions on strategic replacement plans or short term purchases. Additionally, without an internal helpdesk function, there will always be a time lag in desktop support that takes away from staff productive time.

RECOMMENDATIONS

Financial Management Structure

Consider Consolidated Finance Department: We recommend that Lynnfield consolidate its existing financial operations into a municipal financial department under the supervision of a finance director. Serving simultaneously as either town accountant or treasurer/collector, a finance director would develop the annual operating and capital budgets, analyze financial policy, develop strategies, and advise the town administrator and policymakers. By bringing together the accounting, treasury, collection, and assessing functions, a finance director would:

- Provide timely direction and oversight on financial matters
- Streamline reporting relationships among the financial offices
- Clearly define responsibilities and procedures facilitating intra- and interdepartmental coordination
- Advise and support boards, committees, and policymakers on financial matters
- Manage the custody, collection, disbursement and investment of town funds
- Oversee payroll and accounts payable in conjunction with the treasury office
- Develop financial studies, plans, and forecasts to monitor the fiscal well-being of the town

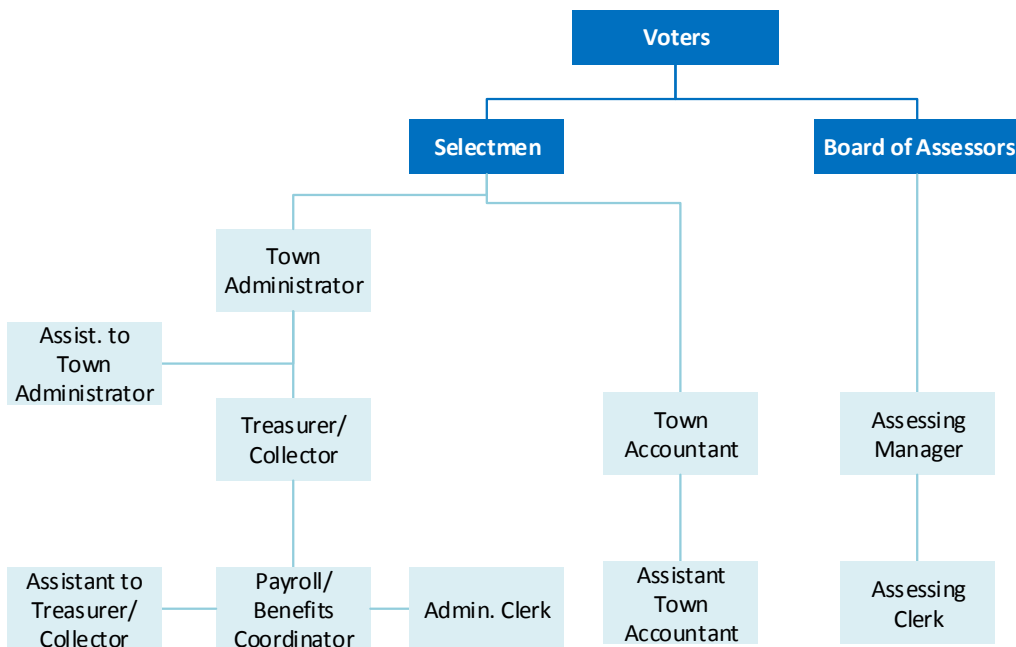
In recommending a finance director with a dual role, we caution that the position is different from that of town accountant or treasurer/collector. Although these positions require strong bookkeeping skills and attention to detail, a finance director must also possess leadership, teambuilding, and strategy-setting abilities. In this case, we propose elevating the town accountant to a finance director/town accountant role, where she will supervise the accounting office as well as the treasurer/collector and principal assessor. Other employees within each department will remain as they are today reporting to the same managers. These department heads would be appointed by the finance director upon approval of the town administrator.

In many ways, the town accountant already serves as an informal finance director, often providing support and guidance to other departments and resolving unexpected issues. A centralized finance department would enhance the town's ability to coordinate responses to a number of issues presently facing it. For instance, a finance director would be in a better position to coordinate succession planning and professional development within and across departments. Likewise, IT matters for financial departments could be consolidated under the finance director's authority.

Additionally, this change would better establish the accountant's expanded role in the budget process since it would give her direct oversight for the town's financial activities.

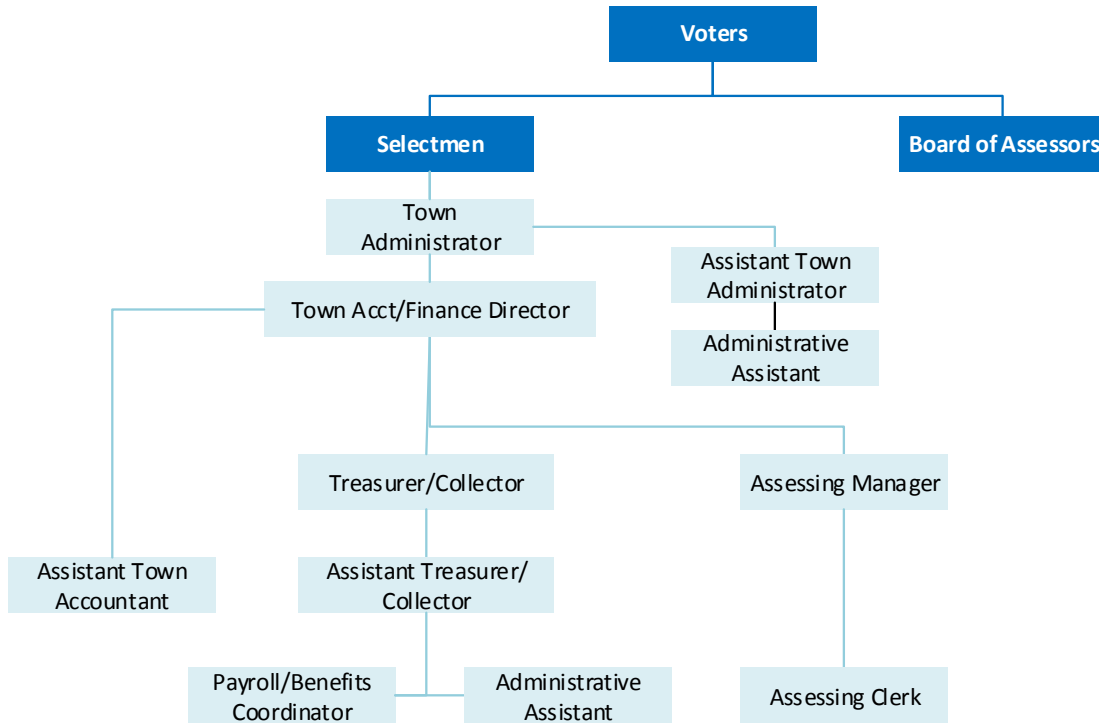
As part of this consolidation, the town should modify existing reporting relationships to better support the goal of developing a single department. Several leadership positions in the financial departments will be eligible for retirement in the near future, representing an opportunity to reorganize those positions under a finance director. Under the current structure, the treasurer/collector reports to the town administrator, the accountant to the selectmen, and the assessing manager to the board of assessors.

CURRENT ORGANIZATIONAL STRUCTURE



Once established, the town accountant/finance director would be better positioned to monitor progress for routine annual tasks (such as tax billing or the tax rate recapitulation process) and to coordinate a response to incidental problems, such as the Munis to Patriot data conversion. The town may also want to streamline certain titles as listed in the current charter. Specifically, there are titles for “Director of Finance and Administration” and “Assistant Finance Director” that apply to the town administrator and accountant, respectively. Under our proposed structure these titles would be redundant and may be eliminated. In the appendix, we provide sample special legislation to create the consolidated finance department. The town could also pursue these changes by modifying its existing charter, although that process is more involved.

PROPOSED ORGANIZATIONAL STRUCTURE



Enhance Town Administrator Support: We recommend creating an administrative assistant/office manager position to handle many of the day-to-day and clerical support tasks currently performed by the assistant to the town administrator. Town officials have discussed the potential to elevate the assistant to a full-time assistant town administrator (with the requisite responsibilities), and we recommend that they do so. However, the lack of additional support may make it difficult for the incumbent to more appropriately focus on higher-level duties. Presently, the administrator's only staff is his assistant.

The office manager/administrative assistant could take over many of the assistant to the town administrator's clerical support duties. This may include serving as a receptionist at the town administrator's office and taking phone calls from the public, clerical work in preparing documents for the board of selectmen, posting material to the town website, managing records for the office, and any other administrative support required by the town administrator.

Since the incumbent would likely handle confidential personnel information in supporting the expanded duties of an assistant town administrator, we recommend that this employee be confidential/non-represented.

Financial Operations

Succession Planning and Departmental Structure

Many departments rely heavily on the expertise of one department head and few staff. While the collected institutional knowledge of veteran employees is always an asset, it is in danger of being lost if there is no plan for succession when employees inevitably retire. Therefore, we recommend taking steps to ensure that any future personnel transition allows for a smooth transfer of knowledge with minimal disruption in service.

Create Job Descriptions and Performance Evaluation System for all Employees: We recommend that the town administrator engage with department heads and applicable collective bargaining units to discuss current duties, skills, and processes, potentially revise or eliminate old practices, and explore other opportunities to streamline operations. These interviews could include discussions of whether changes in job duties or office functions are necessary. This process should result in updated job descriptions to document the skill sets, experience, and qualifications necessary for each position. Once job descriptions have been finalized and/or successfully bargained, the administrator should use them as the basis for developing a performance evaluation system for both departmental staff and managers, as outlined in the town's personnel bylaws.

Create Assistant Treasurer/Collector Position: We recommend elevating the assistant to the treasurer/collector position to an assistant treasurer/collector. An assistant treasurer/collector's job duties should, together with the treasurer/collector's, reflect a division of labor between departmental tasks related to treasury and collections, with the finalized duties listed in detail in a revised job description. This will require an examination and revision of that position's current job description and duties. The existing position is mostly responsible for assorted clerical and office tasks and opening mail, as well as processing real estate and MVE refunds and reconciling benefits bills. In addition, through a combination of mentoring, cross-training, and professional development, the assistant treasurer/collector position could provide enhanced support and serve as backup in case of the treasurer/collector's absence.

Encourage Professional Development: We recommend that finance department staff regularly attend annual classes and certification programs that are available through related professional associations, such as the Massachusetts Collectors and Treasurers Association (MCTA), Massachusetts Municipal Auditors and Accountants Association (MMAAA), and Massachusetts Association of Assessing Officers (MAAO). Participating in these types of trainings also allows staff

to benefit from their colleagues' experiences across the Commonwealth and develop relationships they can draw on to improve their own work and grow professionally.

We further recommend that department heads ensure their staff are cross-trained in each other's duties so that an individual employee's tasks can be completed during vacancies. Cross-training staff and developing a plan for mutual coverage will prevent critical work from being overlooked due to unforeseen absences.

Create Procedures Manuals: We recommend that the town accountant and treasurer/collector work with their staffs to develop written financial management policies and create procedures manuals. The purpose of a written policy is to contextualize work activities within departmental goals, responsibilities, and legal requirements. A procedures manual outlines the specific steps required to accomplish the objectives spelled out in the policies, emphasizing the internal controls designed to ensure intended outcomes. Examples include the handling and turnover of cash receipts, reconciliations, purchase orders, payroll and vendor disbursements, as well as the administration of grants and month- and year-end closing procedures.

Without these documents, employees are often limited to on-the-job training examples without proper context. A lack of emphasis on the rationale for particular controls can encourage circumvention. Conversely, the process of creating manuals can help managers to discover redundant controls and to make risk assessment decisions on the cost of sustaining particular controls or adding new ones. Manuals also help to maintain services when there are unexpected employee absences, and they support the training of new hires. Furthermore, credit rating agencies look favorably on communities with formal policies and procedures.

The manuals could contain a combination of the pertinent policies, statements of objectives, step-by-step instructions, and related software application screenshots. Once developed, these manuals should be stored electronically on shared drives for easy access. Staff could also save certain manuals as desktop shortcuts to serve as cheat-sheets for daily tasks. While some policies have applicability within a department only, others, like turnovers or purchasing, apply universally and should be distributed accordingly. Since many of these tasks are processed through Munis, staff should review and revise the manuals with each Munis update.

Billing and Collections Procedures

Despite an excellent collection rate, the treasurer/collector's office is nevertheless burdened by a host of manual processes that reduce its efficiency and present increased opportunities for error. In

addition, these out-of-date practices are time and labor intensive (compounding the difficulty staff have in finding time for training and professional development), and handicap the department's ability to plan for succession. Therefore, we recommend that the office modernize outdated practices with regard to billing, collections, and banking.

Modernize Billing Procedures: We recommend that Lynnfield modernize its tax billing procedures, which are unnecessarily manual and time consuming. After receiving the tax commitment from the assessors and resolving any errors in the transfer from Patriot to Munis, staff print about 4,500 bills from Munis before assembling them in a conference room. For each bill, employees tear off a perforated top section and manually file it away in the office. Then they fold the bill and stuff it into the mailing envelope, also including a return envelope for the taxpayer. Postage is then applied manually, since the office lacks a postage machine. Lynnfield bills quarterly, so this process repeats four times per year. Historically, the treasurer/collector made use of the senior tax work off program (which she administers) for additional help in mailing bills. However, in recent years the availability of seniors has declined, increasing the amount of staff time needed to complete the process.

The town should consider the costs and benefits of doing away with in-house bill printing altogether and instead contracting with a third party to print, stuff, and mail tax bills. If Lynnfield is committed to printing and mailing tax bills in-house, the treasurer/collector's office should invest in the equipment needed to make the billing process more efficient. This should include devices to fold and stuff bills, a postage machine, and an automated letter-opener for processing incoming mail. Also, since billing information is already present electronically in the assessor's database and in Munis, we recommend that staff avoid creating and maintaining additional paper records by filing away a physical copy of the tax bill.

Streamline Tax Bill Mailing: While Lynnfield's real estate taxes are billed on a quarterly basis, town officials should consider moving from four tax bill mailings per year to two. This can be accomplished by including a payment coupon for the second quarter's bill in the mailing for the first quarter, and a fourth quarter coupon in the mailing for the third quarter's. This results in cost savings in staff time, materials, and postage.

Reduce Manual Entry: We recommend that the treasurer/collector ensure that all mortgage-related real estate billing files received from Core Logic are uploaded electronically into Munis. At present, the treasurer/collector's administrative clerk manually data-enters this information. Typically, companies like Core Logic will send a file with taxpayer information that can be uploaded to the community's financial software, thus automating the process of verifying payment. Doing this

manually is extremely time-consuming and introduces a significant risk of transcription errors, which may lead to inaccurate billing records.

Use Lockbox and Remote Deposit Services: We recommend that the treasurer/collector consider engaging with a financial institution to use a lockbox and remote deposit service. A lockbox service provided by a bank collects tax or other payments by mail and processes the payments through the bank's collection system. The service automatically deposits payments into a municipal bank account and produces daily receipt reports that are sent to the treasurer/collector. To post the payments, an employee reviews the file to ensure it reconciles to the deposit and then uploads the information to Munis. A contract between the town and a lockbox service would specify the scope of services to be provided and cost calculation criteria, which typically is done on a per-piece basis.

A remote deposit service involves setting up a bank-provided device in the treasurer/collector's office that allows the town to scan checks and post the deposits electronically. In addition, since the scanner lists out each check and provides a report before submittal, the treasurer/collector has a chance to verify the accuracy of the deposit. These services accelerate deposits, make funds available sooner, and improve investment earnings.

Resolve Online Billing Issues: Lynnfield contracts with Unibank to provide online payment services for residents. However, the current setup prevents adequate communication between Munis and Unibank servers to update daily balance information, resulting in a shutdown of service after the due date. We recommend that the treasurer/collector's office contact both vendors and take the necessary steps to ensure the online systems' availability. Removing this restriction will reduce confusion on the part of taxpayers and reduce the amount of manual work necessary to process late payments.

Procurement and Expenditure Control

Consider Implementing a Purchase Order (PO) System: We recommend that Lynnfield consider implementing a PO system to track and control departmental spending. If the town implements a PO system, we recommend setting a threshold between \$500 and \$1,000. Requiring a PO for all expenditures could become burdensome on the town administrator and accounting office and may not be cost effective. To make implementation easier, the town could take advantage of Munis' PO module, which would allow them to make a requisition, gather all necessary approvals, and generate a PO electronically. The module allows for all contracts and supporting documentation to be uploaded as attachments, making it easy for the accountant and others to quickly review the terms of the town's agreement with a vendor.

Provide Town Accountant Copies of All Contracts: The town administrator should direct all senior managers to conduct an inventory of any vendor contracts held by their department and provide copies to the town accountant, in accordance with [M.G.L. c. 41, §57](#). In order to execute her statutory oversight duties, the town accountant must have ready access to all contracts between the town and vendors. Without the ability to refer to a contract the accountant is unable to verify whether expenditures are in line with contracted terms, presenting a risk of fraud or misappropriation.

A PO system would require departments to submit requisitions to the accounting officer, who would encumber funds and issue POs before the departments can purchase items or enter into service agreements. Requests subject to the procurement laws would be forwarded to the town administrator's office for review and approval by the assistant town administrator. This formal process would enable the town to oversee spending, encumber funds as they are committed, and verify compliance with procurement laws and contract terms prior to expenditure.

Payroll Processing

Mandate direct deposit and adopt a biweekly payroll: We recommend the town implement direct deposit for all employees. At present employees can voluntarily enroll, but universal adoption would require collective bargaining. To encourage participation, the town should seek out bank incentives for those individuals who enroll. With direct deposit, staff and employee time would no longer be expended on lost and uncashed checks.

We further recommend that all employees be paid on a bi-weekly schedule, which would result in additional cost through a substantial reduction in the use of staff time, as well as decreasing the number of checks issued annually. Like implementing direct deposit, this will also require advance notice to employees and must be collectively bargained. Lynnfield teachers are already paid biweekly, with options for summer pay.

Consider a Payroll Service: Town officials may want to consider the costs and benefits of contracting with a third-party vendor to process payroll. Employing a payroll service shifts certain liabilities regarding federal and state calculation and reporting requirements to the vendor. Being in the payroll business, the vendor maintains the ever-changing expertise in the laws governing payroll production. Other benefits include a reduction in staff time and labor in the treasurer/collector's office and offsite processing in the case of a weather event, disaster, or other emergency.

Information Technology

Develop a Technology Plan: We recommend that the town administrator develop, with input from senior managers and other stakeholders, a comprehensive technology plan for municipal departments. Developing a technology plan is already part of the administrator's 2018-2019 goals, and we offer this recommendation to provide additional guidance for fully implementing it. To aid in this process, the administrator could appoint some senior managers to a technology working group. This working group may be charged with helping the town better define its capabilities, limitations, and challenges regarding IT. Its first task should be to perform a basic needs assessment for town hall departments. This includes:

- An inventory of hardware and software
- The level of support available to and needed by personnel
- A disaster recovery plan for important data
- A cohesive social media approach

In addition to completing an inventory, the working group could identify all IT-related budget items throughout town departments. In consultation with department heads, these budget items can be consolidated into a single IT line item that is under the town administrator's jurisdiction. Please note that during this process, DLS Information Technology is available for advice and support, and can be reached at dlsitgroup@dor.state.ma.us, or (617) 626-2350.

Explore Potential for Shared Services: Once Lynnfield officials have a better sense of the town's technology needs they could reach out to nearby communities and explore the potential for shared services agreements. These arrangements could range from joint purchasing agreements to sharing server space in a particular town's data center. Alternatively, the town administrator could work with the school department to explore solutions that would allow for technology support to town departments.

Consider Hiring an IT Professional: The town should consider hiring an IT professional and locating the position in the town administrator's office. Such an individual should have the technical knowledge necessary to provide on-site support to town users and should be able to offer guidance on the town's technology plan and equipment purchases. In addition, locating this position in the town administrator's office will help him/her serve as a point person to resolve technology issues across departments.

Other Recommendations

Move to a Biweekly Accounts Payable Warrant: We recommend that Lynnfield start processing the town's accounts payable (AP) warrants on a biweekly basis, alternating with a biweekly payroll. Processing vendor warrants biweekly would help improve cash flow and also ease workloads on the off weeks, thereby allowing more time for higher-level tasks. In addition, it would better coordinate with the school process, which is already biweekly.

Pursue a New Auditing Firm: Lynnfield has contracted with the same auditor, Melanson and Heath, for the past 17 years. While retaining a single auditor over multiple years may minimize disruption of everyday activities, we echo the Government Finance Officers Association recommendation that towns change their outside auditor every five to eight years. Doing so provides fresh perspective and fosters long-term independence. We further advise that Lynnfield choose its next auditor by soliciting bids from multiple firms for the next fiscal year.

Consolidate Budget Items: Lynnfield has an appointed treasurer/collector, and its corresponding budget items should reflect this. At present, the municipal budget includes two separate items for a treasurer and a collector, a vestige from before the positions were consolidated. Combining these items into one entry for the treasurer/collector will provide an opportunity to consolidate redundant items and more accurately reflect the town's administrative structure.

Similarly, there is a separate budget item, "Operational Support," that is under the control of the town administrator. It funds the purchase of town hall office supplies, mailings, copier leases, as well as the salary of the administrative clerk in the treasurer/collector department and a vacant, part-time clerical position, also in the treasurer/collector's office. We recommend that in the upcoming budget, the town administrator transfer funding for the miscellaneous town hall expenses into his department's expense budget and move funds for the treasurer/collector clerk to that budget. If there are no plans to the staff the vacant part-time clerk, that could also be moved to the town administrator's budget to provide for additional administrative support.

Formalize Capital Planning Process: Another item in the town administrator's goals for 2018-2019 tasks him with producing a strategic capital investment plan, which is a vital part of long-term financial planning and helps safeguard a community's major assets. Consistent with the town charter and to support the town administrator in achieving this goal, we offer the following components of a sound capital plan:

- A complete and detailed capital asset inventory that includes the dates built, acquired or last improved, original cost, current condition, depreciated value, extent of use, and any scheduled replacement or expansion dates.
- Standardized departmental submission forms that include a description of the request, its costs over a five year period, a statement on the project's urgency, how it affects stakeholders and adds value, as well as potential operating budget impacts.
- Capital criteria standards based primarily on two factors: the asset's useful life and dollar expense thresholds (e.g., five years or more, \$10,000 or greater). Any project or purchase failing to meet either threshold must be funded through the departmental operating budget.
- All capital proposals should be comparatively assessed using objective guidelines to ensure that town-wide needs can be prioritized. Reviewers should weigh urgency based on factors such as public safety, legal requirements, availability of matching funds, and the future cost impact of deferred maintenance.
- Through discussions with department heads, the town administrator should acquire the information necessary to develop a five- or ten-year projection of capital needs. Vehicle replacements, road improvements, and facility repairs all lend themselves to a long-term schedule. With estimated costs included, a clear picture will emerge.

APPENDIX – SAMPLE LEGISLATION

Sample Special Legislation for Proposed Consolidated Finance Department

AN ACT CREATING A DEPARTMENT OF MUNICIPAL FINANCE IN THE TOWN OF LYNNFIELD.

SECTION 1. Creation of Department of Municipal Finance. Notwithstanding the provisions of any general or special law to the contrary, there shall be in the Town of Lynnfield a department of municipal finance responsible for the coordination of all financial functions and activities of the town, including but not limited to: maintenance of all accounting records and other financial statements; payment of all obligations on behalf of the town; investment of town funds and management of debt; receipt of all funds due; maintenance of a system of property valuation; rendering of advice, guidance, and recommendations to town departments, offices, and boards in matters related to their financial or fiscal affairs; and routine monitoring and reporting of revenues and expenditures by town departments, offices, and boards. The department shall include the offices and functions of the town accountant, treasurer/collector, board of assessors, and assessing manager. The department shall have such additional powers, duties, and responsibilities with respect to municipal finance-related functions and activities as the town may from time to time provide by bylaw.

SECTION 2. Finance Director. The department of municipal finance shall be under the direct control and supervision of the finance director who shall report to the town administrator. The finance director shall be appointed by the town administrator; provided, however, that said appointment shall be subject to the bylaws of said Town of Lynnfield, as they may be amended from time-to-time. The director may be removed by the town administrator at any time for cause upon fifteen (15) day notice. The director shall be a person especially fitted by education, experience, and training to perform the duties of the office. The salary, fringe benefits, and other considerations of employment of the director may be established by contract, subject to appropriation, for a period of up to five years, including but not limited to, severance pay, relocation expenses, reimbursement for expenses incurred in the performance of the duties of office, liability insurance, condition of discipline, termination, dismissal, and reappointment, performances standards, and leave.

SECTION 3. Finance Director Duties and Responsibilities. The director may serve as the town accountant or treasurer/collector but not both and shall be responsible for coordinating the fiscal management procedures of the office of the town accountant, treasurer/collector, and assessing manager. The director shall assist the town administrator in the preparation of the annual operating budget and capital plan, shall be an advisor to the board of selectmen, town administrator, finance committee, and all other town departments, concerning financial and programmatic implications of current and future financial policies, including stands for the preparation of the annual budget and capital plan. The director shall, in consultation with the town administrator, be responsible for the supervision and coordination of all personnel, tasks, and activities of the department. The director shall provide the town administrator and board of selectmen with reports no less than quarterly and more often as requested concerning the

matters under their supervision. The director shall have such additional duties and responsibilities as may be determined from time-to-time by the town administrator, and as may be determined bylaw.

SECTION 4. Assessing Manager. Notwithstanding the provisions of any general or special law to the contrary, there shall be in the Town of Lynnfield the position of assessing manager who shall report to the finance director. The assessing manager shall be appointed by the finance director in consultation with the town administrator and board of assessors; provided, however, that said appointment shall be subject to the bylaws of said Town of Lynnfield, as they may be amended from time-to-time. The assessing manager shall be a person especially fitted by education, experience, and training to perform the duties of the office. The assessing manager shall be responsible for all the assessing functions for the Town of Lynnfield. An elected, three-member Board of Assessors shall be part of the Department of Municipal Finance, and shall continue to make decisions on matters of statutory independence, which they are required to make under Massachusetts General Laws.

SECTION 5. Town Accountant and Treasurer/Collector. Notwithstanding the provisions of any general or special law to the contrary, there shall be in the Town of Lynnfield the positions of town accountant and treasurer/collector who shall each have all the powers, duties, and responsibilities of and be subject to the liabilities and penalties conferred and imposed by law on the offices of town accountant and treasurer and collector under the General Laws, except as provided herein. The director in consultation with the town administrator shall appoint the town accountant and treasurer/collector, if such positions are separate from the position of finance director; provided, however, that said appointment shall be subject to the bylaws of said Town of Lynnfield, as they may be amended from time-to-time. The town accountant and treasurer/collector shall be persons especially fitted by education, experience, and training to perform the duties of those offices.