



City of Malden

# Financial Management Review

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Division of Local Services / Technical Assistance Section

March 2011

*Massachusetts Department of Revenue Division of Local Services*

*Navjeet K. Bal, Commissioner Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs*

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March 16, 2011

The Honorable Richard C. Howard  
City of Malden  
City Hall  
200 Pleasant Street  
Malden, MA 02148

Dear Mayor Howard:

It is with pleasure that I transmit to you the enclosed Financial Management Review completed by the Division of Local Services for the City of Malden. It is our hope that the information presented in this report will assist the city in improving its financial management practices, addressing areas of concern and meeting its long-term planning needs.

As a routine practice, we will post the completed report on-line at the DLS website within a week or two. Also, we will forward a copy of the report to the city's state senator and representatives.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at [kingsleyf@dor.state.ma.us](mailto:kingsleyf@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink that reads 'Robert G. Nunes'.

Robert G. Nunes  
Deputy Commissioner &  
Director of Municipal Affairs

cc: State Senator Katherine Clark  
State Representative Paul J. Donato  
State Representative Christopher G. Fallon  
State Representative Stephen Smith

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## Overview

The City of Malden is located in Middlesex County five miles northwest of Boston and is bordered by Melrose to the north, Revere to the east, Everett to the south and Medford to the west. With a population of 56,151 spread over a land area of only 5.07 square miles, the city is the sixth most densely populated municipality in the state. Wealth levels as measured by resident income per capita are slightly below the state average, while property wealth per capita lags the state average by a more significant amount (see Appendix A for comparative statistics).

Malden benefits from excellent transportation access to Boston through the Massachusetts Bay Transportation Authority's Orange line subway and commuter rail service. Interstate Route 93 provides convenient highway routes to Boston and points north of the city. Proximity to Logan Airport, several prestigious universities, numerous medical facilities and technology enterprises, as well as land suitable for building, make Malden well-situated for growth. Ongoing development initiatives include Overlook Ridge with a million square feet of hotel/commercial space and 750 residential units to be built in three phases, River's Edge with 200 high-end residential units and an office building with associated revenues shared with Medford and Everett and a Fidelity Investments financed development near Oak Grove with about 160 residential units in Malden.

Easy access to Boston, along with relatively affordable housing options, has fueled changes in the composition of the city's population over the last decade or two. The city's population is now among the most diverse in the state; with the federal Census Bureau estimating that 36.5 percent of the population was foreign born. Close to 44 percent of the population five years old and over speak a language other than English at home. Anecdotal evidence suggests that the number of different languages or dialects spoken in the Malden public schools approaches one hundred.

The city's 2008 birth rate was the highest of comparably sized Massachusetts communities (populations between 45,000 and 70,000) and the number of pupils attending Malden schools increased from 5,116 in 1999 to 6,098 in 2009, an increase of 19.2 percent. Not included in the above enrollment figures, Malden children attending charter schools also increased from 349 pupils in 1999 to 606 pupils in 2009. Business Week magazine recently designated the city as one of the best places in the country to raise children. This accolade is directly related to the city's comprehensive effort to build new schools and its strong commitment to education.

In many respects, the city's government structure remains largely as set out in its original special act charter (Chapter 169 of the Acts of 1881). Though there have been numerous changes to this charter including significant ones such as combining the original bicameral legislative body (common council and alderman) into a single, eleven member city council (Chapter 550 of the Acts of 1955) and extending the mayor's term to four years (Chapter 267 of the Acts of 1998), the city's

essential form of government is largely unchanged from the original charter. The city's government can be characterized as a strong council and weak mayor structure, where the council is vested with appointment authority over the city's key finance department heads and city solicitor.

The city has struggled in recent years to balance its budget, an exercise made more difficult by state aid cuts, rapidly increasing employee benefit costs and dangerously low city reserves. For example, the city's general government cherry sheet aid decreased by about \$5.4 million between FY2009 and FY2011. By contrast, the city's total revenue from property taxes increased by about \$4.8 million over these three years.

As early as 2004, Mayor Howard recognized the significant long-term impact that rising employee health insurance costs had on the city's budget and sought changes. He negotiated agreements with the city's unions to increase the employees' share of health costs from 10 percent to 25 percent over a ten year period. Despite these changes however, the city's share of health costs now approaches 15 percent of the total budget.

Mayor Howard sought further concessions from the city's labor unions to balance the FY2011 budget. He was successful in negotiating higher health insurance co-payments and deductibles for several bargaining units including the teachers, but others such as police, fire and paraprofessionals rejected his proposed changes. The understanding was that the changes were for one year only, with the hope that employees would understand the need to sustain them beyond fiscal 2011. Where union membership rejected the health insurance changes, the mayor had few alternatives but to cut the department budget by an amount corresponding to the potential health insurance savings.

Lack of reserves has also hindered the ability of the city to weather the fiscal stress imposed by the state aid cuts and rising costs. The city was among the two dozen communities in the state with a negative free cash balance as of July 1, 2009 (-\$1,771,365); the city is also one of ten communities to date with a negative free cash as of July 1, 2010 (-\$670,878). Historically, the city has had little in its general purpose Stabilization Fund, though a year-end \$2 million transfer from FY2010 appropriation balances briefly created a balance that was promptly appropriated for FY2011 operating purposes. Other action to balance the FY2011 budget included declaring \$3.25 million in overlay reserve as surplus and appropriating the surplus to fund the debt and interest budget. Another \$2.05 million was used from the city's health claims trust fund to reduce the city's appropriation for FY2011 health insurance. Though these appropriations were major components of the city's budget balancing strategy, reliance on one-time revenues for operating costs creates a dangerous situation for the FY2012 budget.

The city was also negatively impacted by the misappropriation of over \$500,000 in city funds through tax refund checks by a former employee in the treasurer/collector's office. The fraudulent actions of this employee, largely over a couple of years in 2007 and 2008, have contributed to a level of distrust in city government among residents and raised serious questions regarding the level of internal controls in the treasurer/collector's office. Employee morale in city hall has also been shaken by this theft, as honest, diligent employees are cast in a negative light by association.

Internal controls in the treasurer/collector's office were clearly deficient in this instance and several warning signs were present. For example, this employee, as well as other employees in the treasurer/collector's office, had administrative rights to the collection software in use at the time such that she could modify and delete data. This allowed her to change the name on the taxpayer account, create a refund using her administrative access and then, once the refund was issued, delete the refund transaction in the collection software. Several other factors combined to create the opportunity to commit fraud including: the controller's office used a separate software system that did not interface with the collection software, refunds were prepared using spreadsheets outside the collection system and reconciliations lapsed between the treasurer/collector's office and the controller's office.

Moving forward, the city has taken several steps to correct this situation. First, upon the retirement of the treasurer/collector in January of 2010, the city hired the accounting firm of Sullivan, Rogers and Company, LLC to provide assistance in improving office procedures and internal controls. At the same time, the city moved to acquire an integrated financial management software package, SoftRight, and Sullivan and Rogers has played a major role in the implementation process. With the integrated software, receipts data posted in the treasurer/collector's office automatically flows into the city accounting records in the controller's office. Timely reconciliations of cash and receivables are critical to sound financial controls and implementation of this package should make these processes easier than in the past.

With the retirement of the city's long-standing controller and the ongoing vacancy in the treasurer/collector's office, the city has an opportunity to strengthen its financial management. To its credit, the city council is looking at creating a combined chief financial officer (CFO) and treasurer/collector's position, with the CFO's position intended to oversee all finance departments, ensure uniform and sound procedures across departments and engage in long-term fiscal planning. The proposal also makes the CFO/treasurer/collector an appointment of the mayor, subject to council confirmation and makes the controller and assessors appointments of the CFO with council confirmation.

The proposal to create a CFO position was first proposed by the city's audit firm, Roselli, Clark and Associates, and is a concept that we fully support as necessary given the city's recent history and the challenges that it faces moving forward.

## **Conclusion**

Malden is in the midst of a transition, with major changes in the controller's and treasurer/collector's offices, and a fifteen year incumbent mayor who has decided not to run for another term. While positive changes have occurred recently in Malden city hall, such as the implementation of new integrated financial management software and improved procedures in the treasurer/collector's office, the city will continue to operate under severe fiscal pressure. At the same time, citizen confidence in city government is low following the theft in the treasurer/collector's office and the indictment of the mayor's special assistant.

To improve the fiscal position and restore confidence in government will require the city to address its antiquated organizational structure where many key department heads are appointed by the city council. Though the mayor has described cooperation from these departments as good, he has no clear supervisory authority over these individuals, nor does he have the ability to evaluate their performance or discipline them if necessary. Obviously, this creates ambiguous day-to-day reporting relationships in city hall, and fosters an environment where there is little direct accountability to the mayor as the city's chief executive officer. Perhaps the strongest criticism of the present form of government is the length of time it took the city to address the significant issues in the treasurer/collector's office following the theft.

Going forward, the city needs to take decisive action to address its structure and make the key financial officers accountable to a CFO appointed by the mayor. We caution the city that creating a CFO position is not, in and of itself, a universal remedy to solve the operational and fiscal issues of the city. As important, the city must make a concerted effort to fund the controller's and treasurer/collector's offices adequately so that they can cultivate and maintain a strong, qualified staff to support the CFO.

We should note, as well, that given the significant changes currently on the city's agenda, we deferred recommending immediate consideration of a chief administrative officer's (CAO) position. We recommend that the city consider such a position as part of a comprehensive review and revision of its charter. Ultimately, however, the city's fiscal challenges may warrant more prompt action on empowering a CAO, with substantial municipal management experience, to assist the mayor in directing all city departments in an efficient and effective manner.

## Overall Financial Management

A review of the city's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact city government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the city's organizational structure on the operation of government. We examined personnel administration and the purchasing system. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

The dynamics around balancing Malden's budget have been very difficult in recent years. In response, the mayor convened a budget team consisting of his assistant, the controller, the treasurer/collector and the chair of the board of assessors. The team distributes budget request forms to departments in December and, in the last few years, has asked departments for the impact of a 10 percent budget reduction. The mayor and team review departmental operating and capital requests and typically submit a budget to the council in mid-April, with a formal presentation in early May. Though this timeline has been delayed by state budget uncertainty over the last two years, the mayor kept the council informed about health insurance negotiations with employees and the status of other issues impacting the budget.

The mayor and council have also made some difficult, and at times unpopular, decisions to address the budget situation. For example, the city implemented a pay-as-you-throw trash fee system where residents pay by the bag to dispose of trash. This has created an economic incentive to recycle and has substantially reduced city tipping fees. In FY2010, the city adopted Section 18 of Chapter 32B, shifting part of the cost of health insurance for eligible retirees to the federal Medicare program. The city also recently adopted the local option meals tax with the intent to use the annual revenues to support capital spending that has been deferred in recent budget cycles.

At the same time, serious breakdowns in the city's financial monitoring systems impacted the availability and accuracy of fiscal data necessary to make good policy decisions. In the paragraphs that follow, we outline some of the problems in the city's internal controls uncovered by the city's audit firm. We discuss the implementation of the new integrated financial management software, and the work of Sullivan and Rogers assisting with this implementation and the development of new procedures in the treasurer/collector's office. We then discuss the need for a chief financial officer's position and review city spending on health insurance, and include recommendations that address these issues.

## **Material Weaknesses and Significant Deficiencies**

In a critical 2009 management letter, the city's audit firm, Roselli, Clark and Associates, identified several major deficiencies in the city's internal controls. The most significant of these problems are characterized as "material weaknesses," meaning that there is a more than remote likelihood that a material misstatement of the city's financial statements will not be detected or prevented by the city's internal controls. A significant deficiency is only slightly less serious.

The material weakness cited in the 2009 management letter related to the lack of adequate procedures to reconcile receivables between the treasurer/collector's office and the controller's office. Specifically, the audit noted that the city had an unresolved \$600,000 discrepancy between the receivable records of these two offices. In the past, the city had been able to reconcile these balances to minor differences at year-end. The misappropriation of more than \$500,000 in tax refund checks, however, contributed to the problem in two probable ways: first, the improper manipulation of data in the collector's receivable detail clearly contributed to the discrepancy, and second, a considerable amount of staff time was consumed by the investigation and fallout from this fraud and this brought staff efforts to tackle the issue to a standstill.

Other issues, that approach very closely the severity of the receivable reconciliation weaknesses, were labeled as significant deficiencies. These include the lack of timely turnover of receipts from the treasurer/collector's office to the controller, undetected errors in the bank reconciliation process and the inefficient processing of transactions among the financial offices due to three separate databases and software applications in use. The turnover of receipts became so problematic that, at one point in FY2009, there was a six month lag in the time these receipts were collected and when they were turned over to the controller. This made meaningful reconciliations of cash balances between these offices impossible and severely curtailed the city's ability to evaluate receipts to date and make informed management decisions regarding its financial condition.

The use of three separate software systems in the financial offices was also noted as a deficiency. Though, in some instances, an electronic bridge was created to move data from one system to another, in many cases, the lack of integration required the manual exchange and entry of data. Records maintained "off-system" that were not always accurate exacerbated this problem. The last major issue in the management letter involved the difficulty the treasurer had in reconciling a particular bank account with the bank statements.

## **Acquisition of Integrated Financial Software**

The city has actively pursued solutions to the disparate software used in the finance offices through the acquisition of the SoftRight integrated financial management software. The SoftRight implementation process is well underway with the accounting, property tax collection, treasurer's receipts and cash book modules up and running. Transition to other applications such as water and sewer collections will occur soon. Though it is still early in the process, most city users report that they are pleased with the system's functionality, its intuitive operation and ease of use and, in particular, the customer support they have received from SoftRight.

The new software addresses many of the issues cited in the 2009 management letter. It creates a much more integrated environment, particularly between the treasurer/collector's office and the controller's office. It eliminates the need to re-key data in the controller's office as collections posted in the treasurer/collector's office move seamlessly to the controller's general ledger without the need for data entry. The information is also current so that Controller has "real time" data on revenue received to date and can more accurately gauge the city's financial position. With integrated software, reconciliation of receivables should proceed more smoothly as data entry errors and timing issues should be eliminated in the future.

## **Interim Services from Sullivan, Rogers and Company**

After the former treasurer/collector retired, the city engaged the services of Sullivan, Rogers and Company to:

- audit and reconcile cash and receivable balances for FY2010 and up to the present;
- analyze operational procedures and controls over transactions in the Treasurer/Collector's office;
- provide leadership, guidance and assistance to improve internal controls and cash and receivable processing and reporting;
- identify issues with tax titles and implement proper collection procedures;
- assist in the implementation of the SoftRight financial management software in the Treasurer/Collector's office.

The work of Sullivan and Rogers has gone a long way toward improving city financial practices in the office. The firm has provided direction in several areas such as the proper application of tax payments where penalties and interest had accrued, daily posting of collections and reporting to the controller, securing city interests by pursuing timely tax takings and properly determining tax title principle and interest rate, and the recording of returned checks in the receivable detail and controller's revenue ledger. Most importantly, Sullivan and Rogers has provided day-to-day

guidance and training to a staff that had not received much in the recent past, but are very concerned with doing a good job.

### **Need for a Chief Financial Officer**

Though progress has been made and there is positive momentum in the city finance departments, the hiring of a qualified, experienced chief financial officer will be critical to sustained success. We concur with the recommendation of Roselli, Clark and Associates that the city create such a position. With a budget of approximately \$165 million and total spending from all sources approaching \$200 million, city fiscal demands warrant a skilled individual to oversee and coordinate city finances. Ensuring that consistent procedures are in place across departments, that processes are streamlined and efficient and that the city makes progress in long-term financial forecasting and planning are all key duties of a chief financial officer.

At issue, as well, is the responsibility to appoint and supervise the key finance department positions including the positions of controller, treasurer/collector and assessor. Dating back to the city's original 1881 charter, these appointments have been the sole responsibility of the city's legislative body rather than the chief executive or mayor. This created ambiguity and problems when, after the theft initiated by a clerk in his office, the council couldn't agree on whether to proceed with disciplinary action against the former treasurer/collector and pressed the mayor to discipline him. Despite being their appointment, the city council felt that the treasurer/collector reported to the mayor on a daily basis. Though the charter designates the mayor as chief executive of the city and stipulates that he exercise general supervision over subordinate officers, it appears that he had no authority to remove, or perhaps even discipline, an appointment of the city council.

The city council has expressed interest in creating a combined chief financial officer and treasurer/collector's position. However, it remains to be seen if the council will support a home rule petition to make the CFO an appointment of the mayor with confirmation from the council.

### **Health Insurance Costs**

Despite vigorous efforts to contain costs through higher employee contributions, co-pays and deductibles, the employee health insurance rates paid by the city appear to be noticeably higher than the plans offered by the state's Group Insurance Commission (GIC). By comparison, Malden pays \$21,640 for a Harvard Pilgrim HMO family plan for employee unions that did not accept increased co-pays and deductibles, whereas the GIC offers a fairly comparable Harvard Pilgrim PPO with higher co-pays and deductibles for \$17,751. For city bargaining units that accepted the higher co-pays and deductibles that are more comparable to the GIC's Harvard Pilgrim PPO, the

total cost for the Harvard Pilgrim HMO is \$19,955. At 2011 rates, moving all active employees to the GIC's Harvard PPO plan would save approximately \$2 million for the city and its employees.

For retirees' health insurance, the city has adopted Section 18 of Chapter 32B which requires that eligible retirees enroll in the federal Medicare program. This saves the city a considerable amount of money since the city is only responsible for supplementing the federal coverage for these retirees. The city is also actively pursuing an employee wellness plan with Harvard Pilgrim as a means to contain costs.

***Recommendation 1: Create a CFO's Position Appointed by Mayor***

We recommend that the city council support the proposed home rule petition to amend the city's special act charter to create a chief financial officer's position appointed by the mayor, subject to confirmation by the council. The CFO would then appoint the controller and assessors with council confirmation. Changing the charter in this way will create clarity in terms of who supervises, evaluates and disciplines these officers. These responsibilities will be vested firmly under the chief executive officer rather than resting with a part-time legislative body. As shown in Appendix B, of the twelve communities with comparable populations to Malden (range of 45,000 to 70,000), about three quarters rely on the executive branch to appoint these finance officers. The two communities that resist this trend are Chicopee and Taunton, which like Malden, operate from charters that date back to the late 1800's.

By vesting the CFO with full responsibility for city finances, the city will finally have someone that can be held accountable to make sure that city finance decisions are coordinated. For example, with this structure, the city can avoid situations where finance departments make independent decisions like software purchases that may meet individual needs but work counter to the city's best interests (e.g., systems not integrated). Required as well is the need to oversee the continued migration to SoftRight, full implementation of the MUNIS time and attendance package for payroll and the standardization and streamlining of office procedures. Containing costs such as employee health insurance and the long-term forecasting and budgetary planning necessary to build reserves and invest in the city's infrastructure will be important components as well.

By requiring council confirmation of the mayor's appointee, the city will preserve an important check and balance in that the mayor will not have unfettered authority to appoint a less than qualified individual to this key position. Other methods to guard against favoritism include developing firm job specifications and minimum qualifications for high skill positions so that the city develops an employment culture that is strictly merit based rather than a function of where the candidate lives or who he knows.

Though the chief financial officer's position is substantive and important enough to merit a stand alone position, we understand that the city council is interested in combining the position with the vacant treasurer/collector's position. Our concern with this option is that the chief financial officer's work, if done properly, will be very time consuming and detract from the attention this individual can devote to the treasurer/collector's office. With an augmented support structure in the office, however, it could work well (see recommendations for treasurer/collector's office).

### ***Recommendation 2: Reconcile Cash and Receivables Monthly***

We recommend that, going forward, the CFO make it a priority to meet monthly with the controller to reconcile the city's cash and receivables. Timely reconciliations of cash and receivables are the foundation of sound internal controls and the mayor should hold the CFO and controller accountable for ensuring that these processes are completed on a regular, monthly basis.

Currently, staff from Sullivan and Rogers are bringing these reconciliations up to date; however, it will be up to the city to maintain this effort moving forward. The controller and the CFO/treasurer/collector should agree on a day each month when they will meet to compare their balances. The CFO/treasurer/collector would continue to internally reconcile office records to source documents (turnover sheets or deposit slips, warrants for refunds, abatement and exemption certificates, etc.). If variances occur, source documents should be revisited.

### ***Recommendation 3: Conduct Multi-year Financial Forecast and Planning***

We recommend that the CFO, together with the other city finance officers, prepare and periodically update a multi-year financial forecast. This management tool provides a framework for analyzing policy decisions that have multi-year impacts such as collective bargaining settlements, debt issuance and multi-year vendor contracts. With assistance from the city's financial offices, the CFO should produce a forecast for all operating funds. The forecast should span between three and five years and be updated routinely as new information becomes available. Malden should consider using the DOR developed [Revenue and Expenditure Forecasting application](#) (see Financial Calculators and Download Forecasting Tool).

The CFO should also develop a multi-year capital plan for all city departments and present an annual capital budget to city council. These documents should: (1) prioritize the various proposed capital projects; (2) estimate project costs; and (3) list the proposed method of payment (e.g., current revenue such as meals tax, debt, or debt excluded from the limits of Proposition 2½) for each project. Used together, city officials will be able to evaluate budget requests with multi-year impacts, identify programs that may not be funded or capital requests that will have to be deferred, and develop long-range financial plans.

***Recommendation 4: Commit to Building Reserves***

While we recognize how difficult it is to implement in this fiscal environment, we recommend that the city commit to modestly building reserves over several years. There are indications that the city will have a positive free cash balance in FY2012 due to the aggressive pursuit of delinquent property taxes, the release of substantial amounts of overlay reserve and the raising of past deficits on the FY2011 tax rate. If this turns out to be the case, the city should resolve to put a significant portion into its stabilization fund and resist using this balance for operating purposes. Reserves should be used to fund unanticipated or one-time costs rather than to regularly fund operating expenses unless provisions are made to replenish the reserves. Reserves are intended to allow a community the flexibility to review and address its problems over the long run.

***Recommendation 5: Consider Changes to Employee Health Insurance***

We recommend that the city continue to move aggressively to contain employee health insurance costs by considering the state's Group Insurance Commission (GIC) and other potential options. Currently, the city is self-insured, but the rates for individual health plans appear to be higher than comparable plans offered by the state's GIC. The GIC benefits from the substantial purchasing power realized by insuring more than 350,000 individuals. It also benefits from the unilateral authority to implement changes in plan design, including increasing co-payments and deductibles to contain costs. Moving to the GIC would take the city out of the high risk, self-insured realm and move it into an organization where costs are shared among a much larger group.

A recent bill filed by the Governor in conjunction with his FY2012 budget requires that communities with higher priced plans either join the GIC or, through other means, provide benefits that are of comparable actuarial value as those provided by the GIC. Aside from the GIC, other options may be available to the city such as group purchasing of health insurance through a consortium.

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

We recommend that the city establish a program of employee performance reviews. Though employee evaluations are required by city ordinance, they have never been formally implemented. The human resources department has done most of the preparatory work including developing updated position descriptions and job classifications several years ago. The city can implement performance evaluations for non-union city hall employees without the need for bargaining. For others, evaluations must be implemented through the collective bargaining process.

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

***Recommendation 7: Create a Unified Charter and Consider Comprehensive Review***

We recommend that the city solicitor create a unified, up-to-date charter document that reflects all special act amendments subsequent to the original charter. A charter is a written instrument that defines the government structure under which the city operates, that may create local offices; distribute powers, duties and responsibilities among local offices; and that may establish and define certain procedures to be followed by the city government. Currently, it is nearly impossible to get a clear handle on the basic rules under which city government operates as there have been numerous changes since the approval of the city's original special act charter. Posting the charter as amended in a searchable format on the city's website will foster transparency in city government by giving all involved officials and citizens a clear delineation of the structure, powers and responsibilities under which the city operates.

In the long-term, we believe that it would be beneficial for the city to consider a comprehensive charter and ordinance review process with an eye toward streamlining and modernizing government. In particular, the city should weigh issues such as converting the mayor's special assistant to a chief administrative officer's position with full responsibility for the management of all city departments on a day-to-day basis. Similar to the proposal to create a CFO, this can be a vehicle to create an environment where clarity of purpose and accountability is strengthened across all of city government. Other possible areas to review include the commissioners that are paid modest stipends in the public works and fire departments, whether the compliance officers' functions can be consolidated within other inspectional departments and moving to a full-time director of assessing and making the assessors a part-time, policy board.

***Recommendation 8: Seek Proposals for Independent Audit***

We recommend that the city seek proposals for its independent audit when the city's contract with the current audit firm expires after the FY2012 audit. Not atypical among municipalities, Malden has relied on the same audit firm for about the last fifteen years.

Contracting with a new audit firm can not only bring a fresh perspective, but reflects good practice. In general, communities are encouraged to re-advertise for auditing services every five to eight

years. The Government Finance Officers Association (GFOA) recommends that communities engage the same auditor by entering into multi-year agreements, or a series of one-year contracts, for a term of at least five years. A multi-year agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. After this term, GFOA recommends a full competitive selection process and opines that, provided there is adequate competition among qualified auditors, that communities rotate auditors after each multi-year agreement.

## Controller's Office

The controller's office has a legal obligation to oversee all financial activity of the municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts, and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office should prepare payroll and vendor warrants to be signed by the controller and mayor; maintain a general ledger where receipts, expenditures and all other city financial activity are recorded; and, reconcile cash, debt and receivables with the treasurer/collector monthly. In addition, the controller tracks revenue and expenditures, and is typically involved in the annual budget process. Among required submissions to the Department of Revenue, the controller is responsible for producing the city's annual Schedule A and year-end balance sheet for free cash certification. Finally, the controller works with the board of assessors and city clerk in the preparation of the city's tax recapitulation sheet.

The city's longstanding controller, who served the city with distinction for over 20 years, retired recently and the city council has appointed the assistant controller to the position. Though short on direct municipal accounting experience, he has a strong technology background, has been intimately involved in the conversion to the SoftRight accounting software and has been a key contributor in the city's budget process. Currently, the office is staffed by four people: the current controller with one year of experience in the office, an administrative assistant with 25 years in the office, and an administrative assistant and accounts payable clerk with 8 years and 4.5 years experience in the office, respectively.

The city employs enterprise fund accounting for the relatively new Pay-as-You-Throw trash program and its water and sewer services where annual revenues total \$22.5 million. Historically, the city has appropriated the indirect support costs of the enterprise funds such as health insurance costs, treasurer/collector's and IT support services in the enterprise fund. These costs are then netted from the general fund appropriation of the supporting department or line-item. For example, the amount appropriated for IT salaries in the city budget is zero after charges to the enterprise and grant funding are netted out.

Aside from the regular review and approval of payroll and accounts payable warrants, the controller's office receives receipts from the school department's Community School program. The controller's staff prepares a turnover sheet with the correct account codes for these receipts which typically total about \$40,000 every other week and delivers the turnover and receipts to the treasurer/collector.

The controller's office is also responsible for overseeing the city's purchasing and procurement process. All city purchases require a purchase order and departments wishing to make a purchase submit a requisition request form electronically using the SoftRight purchasing module. The software checks to see if the appropriation is sufficient and encumbers the funds once the purchase order is approved by the controller. Departments must then bring hardcopy signed requisition forms to the controller's office to indicate their approval of the requisition.

Although in many respects, the SoftRight software will make the controller's work easier by providing more timely receipts data and eliminating the need for data entry in some cases, there remains a need to be vigilant in reviewing entries, financial reports and trial balances on a regular basis. For example, the city recently learned that tax commitments received in the treasurer/collector's office do not automatically post to the controller's general ledger, but must be input through a journal entry. The office also needs to enter beginning balances for FY2011 into the SoftRight general ledger package so that the office has a complete picture of city finances and meaningful reconciliations can occur.

## **Conclusion**

While the controller is well versed in the city's new financial software and budget process, his experience with municipal accounting is less extensive. The Administrative Assistant, who has the most institutional knowledge in the office after about 25 years of service, has indicated that her retirement may be on the horizon as well. Although we believe that the newly appointed controller will work diligently to do well in the position, it is important that he be given the resources to succeed. Our recommendations are intended to provide support to the new controller and offer guidance for moving the office forward.

## ***Recommendation 9: Appoint an Assistant Controller***

We recommend that the city appoint an assistant controller. It is important for the ongoing success of this office that the city appoint an assistant controller with meaningful municipal accounting experience. With the retirement of the previous controller and the possible retirement of the most experienced staff member, it is critical that the city move quickly to shore up this important function. A capable assistant, experienced in Uniform Massachusetts Accounting System (UMAS) debits, credits and journal entries, will free up the controller to focus on purchasing, the budget and higher level monitoring of the city's financial position through regular review of accounting system reports. It is also important that in a city where spending is approaching \$200 million, that the controller have an assistant that is capable of filling in for the controller in the event of any temporary or extended absence.

***Recommendation 10: Review System Financial Reports Regularly***

We recommend that the controller's office enter beginning account balances into the SoftRight general ledger as soon as possible and then make it a priority to regularly review system reports.

Entering beginning account balances is critical to meaningful and complete reconciliations of cash and receivables. Given that city personnel will eventually resume full responsibility for performing these reconciliations rather than relying on Sullivan and Rogers, entering beginning balances as of July 1, 2010 represents an important step in this direction.

While the SoftRight modules are integrated in many respects and tax collections flow directly from the treasurer/collector's office to the controller's office for posting, the office needs to remain vigilant in reviewing trial balance and other financial reports on a regular basis to make sure that the results are as expected. This is especially true with a new software package where employees need to develop a thorough understanding of how the system works through careful review and ongoing monitoring of financial reports.

***Recommendation 11: Budgeting Indirect Costs of Enterprise Funds***

We recommend that the city discontinue its longstanding budgetary practice of reducing general fund appropriations by the indirect costs supported by the enterprise funds. Departmental appropriations should be made in full in the general fund and enterprise fund revenues should be established to cover both the direct enterprise fund expenditures as well as these indirect costs. By netting indirect costs from the general fund departmental line-items the city is understating its general fund budget and is, in effect, appropriating these indirect costs in the enterprise fund. For financial reporting purposes such as Schedule A, it appears that the city reverses these entries and reports the spending in the general fund. The controller understands and agrees that this will be changed in the preparation of the city's FY2012 budget.

***Recommendation 12: Cease Preparing Community School Turnovers***

We recommend that the controller's office discontinue its historical practice of receiving Community School receipts and preparing a turnover sheet for the treasurer/collector. These receipts, along with a turnover sheet indicating the accounts to which these receipts should be posted, should be turned over by the school department directly to the treasurer/collector's office. Separating the handling of cash from the accounting duties is an important check and balance and should be strictly observed by the office. Once the office has eliminated any handling of cash receipts, the city should be able to discontinue paying for the controller's surety bond previously required by the Director of Accounts.

***Recommendation 13: Seek Designation as Certified Public Purchasing Officer***

We recommend that the controller take the additional purchasing training courses offered by the Inspector General's office and seek designation as a Massachusetts Certified Public Purchasing Officer (MCPPO). With direct responsibility for city purchasing and named in ordinance as the city's chief procurement officer, the controller has already successfully completed the Public Contracting Overview course offered by the state Inspector General's office. The city would benefit further if he were to take the other two courses required to receive the designation of Massachusetts Certified Public Purchasing Officer (MCPPO), the Supplies and Services Contracting and Design and Construction Contracting courses. Oversight of the critical purchasing function by a designated MCPPO will help ensure that city purchasing is executed in conformance with all state purchasing laws and sound purchasing practices.

***Recommendation 14: Allow Electronic Signatures on Purchasing Requisitions***

We recommend that the controller's office authorize departments to electronically sign purchasing requisitions rather than require that they hand-deliver them in signed, hardcopy format. Since these requisitions are initially submitted electronically, the city needs to figure out a process for e-signing the request. This could be as easy as accepting the request as signed once it is submitted from an authorized person's computer account or altering the form slightly to allow for a sign-off by the appropriate person in each department.

## **Treasurer/Collector's Office**

The treasurer functions as the community's cash manager and has custody of all municipal money. Included is the responsibility to post and deposit city receipts into appropriate bank accounts, and to monitor balances to ensure that sufficient funds are available to cover obligations. The treasurer invests city funds and manages debt to maximize investment income and to meet cash flow needs. The treasurer maintains a cashbook, debt schedule, check registers and various logs to track balances for grants, trusts, revolving funds and special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, both internally, and with the controller on a regular basis. The treasurer also maintains tax title accounts and prepares documents to petition for foreclosure.

A collector possesses the authority to receive all payments due the community including property taxes, excises, betterments and certain other charges. The collector has the responsibility to make certain that collections are properly counted, posted to taxpayer accounts, and turned-over. The collector pursues delinquent accounts and then moves them into tax title accounts. To be successful, the collector must maintain an up-to-date receivable control that is reconciled with the controller monthly. They should run credit reports as appropriate and complete necessary research to confirm when refunds are due. In accordance with state law, the collector is required to respond to requests for municipal lien certificates.

In Malden, a combined treasurer/collector's office is staffed by an assistant treasurer/collector and three full-time and one part-time staff. Two other positions, with the salaries budgeted in the water department, and a parking clerk, with the salary budgeted in the parking department, also work in the office.

The office issues and collects close to 13,000 real and personal property tax bills on a quarterly basis. Motor vehicle excise bills are issued annually and total about 40,000 in number. Delinquent motor vehicle excise accounts are turned over to the city's deputy collector, Kelly and Ryan. Water and sewer bills total about 12,000 and they are issued and collected monthly. The office is also responsible for collecting parking tickets, an often contentious process complicated by the uneven implementation of the new Velosum parking ticket system.

The office receives these payments in several ways. The majority of real estate payments are made through mortgage escrow services and uploaded to the treasurer/collector's records; other payments are made on-line or sent to the city's Century Bank lock-box. Some choose to pay in person at the office window or mail the payment directly to the treasurer/collector's office.

The office has been without a department head since the retirement of the previous treasurer/collector in January of 2010. Prior to his retirement, the previous treasurer/collector had been on family medical leave for the previous few months. In the spring of 2010, the city hired Sullivan and Rogers to provide interim services, improve procedures and assist with the implementation of SoftRight in the treasurer/collector's office.

Sullivan and Rogers personnel found numerous issues with the internal controls in the office. Under the previous treasurer/collector, all personnel were granted administrative rights to the Point collection software in use at the time. This allowed staff great latitude to determine how payments were applied, and included privileges such as the ability to delete or edit previous entries. The absence of a treasurer/collector, along with an office clerk's dismissal for the theft of more than \$500,000 and the subsequent forensic investigation, contributed to a near stoppage of the flow of receipt data to the controller's office. Not surprisingly, other regular internal control procedures such as the reconciliation of cash and receivables, which had historically been completed successfully at year end, were also severely compromised.

Other procedures such as moving delinquent real estate accounts into tax title status were not done timely or correctly. For example, the accrued penalties and interest at the time of the taking were not added to the principle tax amount due and the city was not charging the correct rate of interest. Sullivan and Rogers completed tax takings for delinquent property tax accounts from FY07, FY08 and FY09 last summer and recently finished tax takings for FY10.

## **Conclusion**

Overall, the office has suffered greatly from the fallout surrounding the substantial theft of city funds, as well as the general lack of leadership and supervision due to the long absence of a department head. Taken together, these factors brought critical office functions such as the turnover of receipts and cash and receivable reconciliations to a halt. Going forward, Sullivan and Rogers has done an excellent job in providing guidance and support to the staff during this difficult period and has introduced new procedures around the implementation of SoftRight in the office. However, the challenge to the city will be to sustain the positive momentum once Sullivan and Rogers disengages and city personnel have to manage the operation on their own.

## ***Recommendation 15: Appoint an Assistant Treasurer***

We recommend that the city create an assistant treasurer's position to maintain the cash book, perform cash reconciliations, manage bank accounts and oversee payroll processing (see payroll section). If the city decides to move forward with the proposed combined chief financial officer and treasurer/collector's position, the demands on the chief financial officer will be substantial

given the current fiscal climate and the city's financial condition. Therefore, it will be important that the office have a strong supervisory structure in place to succeed once staff from Sullivan and Rogers depart. Establishing an assistant treasurer's position, in conjunction with an assistant collector's position, provides for a strong supervisory structure and will put the office in a position to sustain and build on recent improvements.

It does not appear that any of the current office staff have had the necessary exposure to and/or experience with the above described assistant treasurer's responsibilities, which with the exception of payroll, had been handled by the former treasurer.

### ***Recommendation 16: Initiate Tax Takings on a Timely Basis***

We recommend that the treasurer/collector's office make it a priority to regularly place delinquent real estate accounts into tax title status. It is important that the treasurer/collector initiate tax takings before the city's automatic lien expires. A tax lien is valid for three and a half years from the end of the fiscal year for which the taxes were assessed, unless ownership of the property is transferred or the tax is discharged by a municipal lien certificate. Going forward, the treasurer/collector should transfer subsequent taxes into previously established tax title accounts and initiate new proceedings shortly after the demand bills become past due. Demand bills can be issued after the fourth quarter bills are due. Taking firm action early in the process and sticking to a regular schedule each year not only produces better results, but serves notice that the city is serious about tax collections.

### ***Recommendation 17: Issue Water/Sewer Bills Quarterly***

We recommend that the city consider issuing its water and sewer bills on a quarterly basis rather than monthly. The total volume of water/sewer bills issued and collected every year now numbers approximately 144,000. The city currently reads roughly 12,000 meters every month, calculates and prints the associated bills in-house and then turns them over to a vendor to stuff and mail. Moving to a system where a third of the residential users are billed each month for three months of usage will reduce costs such as postage, printing/stuffing, reading meters, lock-box fees and staff time in both the treasurer/collector's office and water/sewer department. The city could continue to bill large volume, commercial users monthly.

Implementation should be carefully planned to mitigate any negative financial impact on the water/sewer enterprise fund receipts and investment income due to the start-up impact involved with this type of transition. Residents that prefer to pay monthly would still be allowed to send in estimated payments to be posted to their account in advance of the actual quarterly bill.

***Recommendation 18: Pay Deputy Collector Fees through the Warrant***

We recommend that the treasurer/collector establish a separate 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 city. 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. He should issue an invoice, and once the checks have cleared, the city should include the fees in the next accounts payable warrant.

***Recommendation 19: Limit Administrative Rights to SoftRight***

We recommend that the city strictly limit the administrative privileges in SoftRight. The collection modules are now set up to automatically apply payments to penalties and interest first and then to the underlying tax or fee. If a payment only partially covers the total amount due, applying the payment first to penalties and interest will leave a remaining tax balance due, which will continue to accrue interest going forward.

Allowing staff in the department to decide to apply payments to the underlying tax first essentially authorizes them to make interest free loans to delinquent taxpayers. For obvious reasons, this is not in the best financial interest of the city and so we strongly urge the city to restrict administrative access to these modules to the treasurer/collector and IT director.

***Recommendation 20: Attach Pictures to Parking Violations***

We recommend that the city make it a routine practice to take a picture of all parking violations. One of the advantages of the Velosum parking ticket system is that it allows information to be entered through a hand-held device when the ticket is issued. The data is then uploaded via the internet and is available in the treasurer/collector's office without the need to re-key information. Though Velosum has the capability to capture and attach pictures to each violation, this has not been done consistently. Making sure that pictures are available for each violation will help the city keep the number of appeals to a minimum.

We also believe that there are other issues that the city needs to resolve with respect to the Velosum system. Apparently, ticket information does not always flow to the treasurer/collector's office as it should and the office does not have the ability to clear marks at the Registry of Motor Vehicles for parking violations. If the city is going to continue to use Velosum, it is important that the treasurer/collector's staff have input on how to improve the process going forward.

## Payroll

The city processes payroll each week for approximately 1,400 city and school employees. Typically, payrolls total about \$1.7 million a week during the school year, with a total annual payroll of more than \$80 million. Payroll clerks in each department prepare and submit their weekly payroll information electronically. Payroll is administered by a single payroll supervisor who is physically located in the treasurer/collector's office, but reports to the mayor's special assistant. Roughly half of the city's employees have opted for direct deposit of their pay checks.

As recently as 2007, payroll was run out of the Information Technology department using punch card technology. Shortly thereafter the city partially implemented the MUNIS payroll software, but with custom programmed front-end, data entry screens called the Malden Municipal Payroll System (MMPS) designed to minimize any disruption or confusion for payroll clerks in submitting departments. The payroll supervisor was then moved upstairs to the treasurer/collector's space.

The piecemeal implementation of the MUNIS time and attendance module has created issues that impact at least three departments. The first issue is that the current MMPS front-end is programmed to reference the old GEMS accounting system to check if there is a sufficient appropriation in the accounts to which payroll charges are to be posted. When the city moved to the SoftRight accounting package, MMPS began rejecting payroll submittals because all FY2011 appropriations were entered into SoftRight rather than GEMS. Consequently, the controller's office must manually review all departmental payroll submissions against the remaining appropriations in SoftRight.

Another issue involves the tracking of accrued employee leave balances. This process is extremely labor-intensive for the human resources department and inefficient in the sense that off-system, side spreadsheets must be maintained to track each employee's leave usage and accruals. An underlying reason why the time and attendance package was never fully implemented in MUNIS centers around the inaccurate data in the employee master file, particularly employee start dates that the system relies on to calculate accrued leave.

Without this information, the system cannot be utilized fully to accurately calculate employee leave and human resources must keep off-system records of both employee personal data and accrual balances. Human resources now handles all the weekly payroll submissions to compile data on weekly leave usage and then must use their spreadsheet data on each employee to individually calculate leave balances and issue a leave balance statement to employees each quarter.

Payroll status change forms must be submitted by departments seeking changes to an employee's pay, address, or bank account, among others. These forms must be reviewed and approved by the

human resources department and the controller prior to being entered into MUNIS by the payroll supervisor. Our understanding is that even changes such as an employee's address, bank account or request for direct deposit has to be approved by the initiating department, the human resources department, and the controller's office before the payroll supervisor can make the change in MUNIS.

## **Conclusion**

The city's current payroll process is inefficient and requires the manual review of appropriation balances and the maintenance of off-system records to track employee leave accruals. The city plans to fully implement the MUNIS time and attendance package which should address many of these issues. Before this can be done, however, a significant amount of planning and effort will be required. We support this move and offer recommendations intended to buttress this critical function and further streamline the process.

### ***Recommendation 21: Move Payroll to Treasurer/Collector's Office***

We recommend that the city restructure the payroll operation so that the payroll supervisor reports to the proposed assistant treasurer in the treasurer/collector's office. Organizationally, locating payroll in the treasurer/collector's office is a logical place for this office, but as important, it will provide the payroll supervisor with more direct guidance and support in this highly visible and important role. The location offers the payroll supervisor additional coverage as well, as other staff members can be cross-trained to fill-in if she is unavailable for any reason.

### ***Recommendation 22: Fully Implement MUNIS Time and Attendance Module***

We recommend that the city fully implement the MUNIS time and attendance module. It is our understanding that the city intends to move in this direction and fully implement a package that it has already paid for. Once implemented, MUNIS will allow the city to realize considerable efficiencies in the human resources department and, to a lesser degree, in the controller's office. There are several things the city needs to address before this can happen:

- Correct and update the employee master files in MUNIS using the accurate data contained in human resources records;
- Design and test new accrual tables in MUNIS;
- Contact MUNIS about re-programming the "org codes" so that MUNIS can interface with the re-designed chart of accounts in SoftRight;
- Update and verify accuracy of state and federal tax tables in MUNIS;

- Provide training to the payroll clerks, the payroll supervisor and others involved in the process.

***Recommendation 23: Transition to Bi-weekly Payroll***

We recommend that the city initiate steps to move to a bi-weekly payroll. While it is not that unusual that city employees are paid weekly, the fact that Malden's school employees are paid weekly is uncommon across the state. Generating a weekly payroll warrant and issuing checks every week is a tremendous amount of work which could be reduced considerably by moving to a bi-weekly process. A change of this nature needs to be bargained with the city's labor unions.

***Recommendation 24: Require Direct Deposit for Payroll***

We recommend that the city negotiate with its employees to require direct deposit of payroll. Direct deposit has benefits for both the city's finance departments and its employees. For employees, their pay is deposited through electronic fund transfers (EFT) into their bank accounts and is typically available very early on the morning of payday. This ensures that funds are available for nearly immediate use and can be a valuable benefit if the employee is out of the office on payday for any reason. For the city, cost savings will arise related to check stock and printing. Perhaps the most significant benefit is that these payments are all made at once electronically and the office will not have to deal with checks that have not been presented for payment or that have been lost. This will streamline the process of reconciling cash and save time in the treasurer/collector's office and controller's office.

## Assessors' Office

The assessors' office is responsible for valuing all the city's real and personal property, assigning tax payments to owners, and generating the commitments authorizing the collector to collect real estate tax, personal property tax and motor vehicle excise payments. To ensure that residents are taxed equitably and accurately, an assessing office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during an on-going property measure and list program.

Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR for setting the tax rate. The office is required by DOR to document an annual property value adjustment analysis and to prepare for state certification of property values every three years; FY2010 was the latest recertification year.

The office is staffed by the chairman of the board of assessors who has over 20 years of experience in the office and serves as the department head, a second full-time board member who has served as an assessor for about 9 years, and an administrative assistant with about 25 years of experience in the office. Two full-time and two part-time clerks also staff the office. The third board member's position had been vacant for more than a year and a half; however, we understand that the city council recently appointed the administrative assistant to be the third assessor.

The volume of work in the Malden assessing department involves 12,390 residential real estate parcels, 496 commercial/industrial parcels, and 142 parcels of mixed use. There are an additional 836 personal property accounts. An on-line, searchable assessment database is available on the city's web site. The city taxes commercial/industrial and personal property (CIP) at a higher rate than residential properties and has employed the maximum allowable shift of 175 percent to the CIP classes in each of the last four years. All property taxes are billed on a quarterly basis.

The office engages the services of Patriot Properties to conduct building permit and cyclical inspections and relies on the consultant to adjust the cost and land tables in the AssessPro computer assisted mass appraisal system. The city has used the services of Patriot Properties since about 1987. The assessors perform inspections of sale properties and most properties for which an abatement request has been filed.

The city has adopted the residential exemption authorized by M.G.L. c. 59, § 5C, which allows a community to shift the tax burden away from certain owner-occupied, lower valued, residential

properties to higher valued homes, most apartment buildings and to second home owners. Over the course of one year, motor vehicle excise commitments total approximately 40,000 accounts. The assessors' office approved 543 personal exemptions in FY2010 and about 300 abatements during the FY2010 revaluation year. The office administers one property tax deferral account under M.G.L. c 59, § 5, Clause 41A.

## **Conclusion**

The assessing office appears to be performing well and has benefited from the long tenure of the department head and the relative stability of the office staff. Our recommendations for the assessing office are relatively few; however, we do emphasize the importance of maintaining a full board of assessors. We suggest some modest improvement in office procedures, recommend the city consider enhancing the property tax relief options available to seniors and offer a long-term recommendation on office structure.

### ***Recommendation 25: Consider Property Tax Relief Options for Seniors***

We recommend that the city consider adopting the local option provisions of the senior tax deferral program and the elderly exemption so that these programs can be offered to more qualifying seniors. The tax deferral local options, which must be approved by the city council, allow the city to reduce the interest that accrues on deferred taxes from eight percent to any lesser amount. The council can also increase the gross receipts (income from all sources) thresholds from \$20,000 up to the income limit allowed for the state income tax circuit breaker for a single, non-head of household filer (currently \$51,000). Expanding the income limits and lowering the interest rate will create more opportunities for qualifying seniors to stay in their homes.

The property tax deferral program (M.G.L. c. 59, § 5, cl. 41A) allows seniors to delay payment of their property taxes, enabling them to use the resources that would go to pay taxes to defray living expenses instead. Taxpayers that qualify for personal exemptions such as elderly, disabled veterans, blind persons and surviving spouses may also use this program to defer all or part of the balance of their reduced taxes. The payment of deferred taxes and accrued interest is due when the property is sold or the taxpayer passes away, unless a surviving spouse elects to continue the deferral. Additional information on this program is available at:

<http://www.mass.gov/Ador/docs/dls/publ/brochures/proptaxdef.pdf> .

Local options for the Clause 41C elderly exemption are another source of potential tax relief. The assessors currently grant these \$500 exemptions to 81 qualifying elderly property owners, a marked decrease from the 152 issued as recently as FY2002. In particular, the low gross receipts and whole estate thresholds are probably prohibiting many seniors from qualifying. The city could, by

accepting various local options, decrease the age requirement from 70 to 65, increase the gross receipts limits and/or increase the whole estate limits. The city's statutory cap on the number of elderly exemptions it can receive reimbursement for is 204, meaning the city would receive 100 percent state reimbursement if it were to grant another 123 elderly exemptions. Given the difficulty in accurately estimating the number of additional exemptions each option might bring, we suggested an approach where the city gradually adjusts these thresholds over time to avoid exceeding the reimbursement cap. The assessors may have some information of which limits are most impacting otherwise deserving seniors.

***Recommendation 26: Discontinue Entries to Manual Property Record Cards***

We recommend that the office stop the practice of noting deed changes on manual property record cards. While this is only done as time allows, we believe that the office should rely on the data in the AssessPro valuation system. Since the city has used this Patriot Properties software for close to 25 years, much of the important historical sales and deed information is incorporated into these electronic files. The city's information technology department also has a strong program of regular system back-ups and disaster recovery in place, so there is less need to maintain back-up manual records compared to earlier years.

***Recommendation 27: Maintain a Full Board of Assessors***

We recommend that the city maintain a full board of assessors. According to MGL Ch 41, § 24, a board of assessors must have an odd number of members and, in a city, must consist of one, three, five, seven or nine members. In the future, as vacancies occur in the board, the city should act promptly to ensure that it has the legally required number of assessors.

***Recommendation 28: Consider Long-term Restructuring of Assessing Office***

We recommend that, at the appropriate time, the city consider restructuring the assessing office. Increasingly, communities are moving away from the full-time, working assessors in favor of a part-time, policy board and a full-time, professional director of assessing. Under the latter structure, a director of assessing would be appointed by the CFO and be responsible for the day-to-day management of the office and completion of value-related tasks. The director would receive support from an appointed, part-time board, which would act on abatements and exemptions, approve the new growth estimates and overlay amounts as well as address other policy issues. The director would be assisted by clerical staff and additional, qualified appraisers/assistant assessors, who could perform administrative duties and complete property inspections, as well as assist in the determination of values.

## Information Technology

Computers and technology play a vital role in municipal financial management today. Computers are used by the assessors to maintain property values, prepare tax rates and generate the property tax and motor vehicle excise commitments; the treasurer/collector's office takes the assessors' commitments electronically to generate the tax bills, and then to post receipts and manage receivables; the treasurer/collector records the turnovers of city monies to his department to track the city's cash position. Data from vendor invoices and employees' time sheets is entered into the computer system so that the controller can generate the vendor and payroll warrants; the treasurer/collector's office tracks the disbursements of the computer-generated checks in the electronic cash book.

The electronic transfer of data improves efficiency by eliminating the need to re-key data in multiple departments; the electronic storage of records reduces space needs in city hall. Because computers play a key role in virtually every element of the city's finances, it is essential that knowledgeable, system-savvy individuals be involved in the purchase and support of equipment and software.

The city's information technology department is staffed by a director who is appointed by the mayor for a five-year term and has been with the city for six years. He is assisted by a technical specialist who handles desktop support for city hall users and assists with administrative duties. A third staff person is dedicated to the city's Geographic Information System (GIS). The two other staff members support the city's retirement system by issuing retirement checks, provide some help-desk services to system users and administrative assistance such as ordering supplies and clerical support. The school and public safety departments have separate information technology operations.

The city benefits from an information technology department that operates a sophisticated, state-of-the-art, secure system. Regular system back-ups and disaster recovery are department priorities. All files are backed-up every fifteen minutes and copies of the entire database stored off-site in two out-of-state locations so critical operations can be restored quickly in the event of a disaster. Electronic mail is scanned for viruses, an externally managed firewall protects the city's data and employees are restricted from accessing various non-work related web sites.

Using Homeland Security funds, the IT department has acquired the hardware necessary to implement a city-wide wireless network several years ago to enhance public safety communication. Other uses include placing web cameras at major intersections with live wireless feeds to monitors in the police department. Though initially for public safety purposes, the infrastructure allows the city to offer free WiFi service in select areas such as Malden Center and all school buildings.

Users are first directed to a “walled garden” which features the official Malden government site and other Malden-centric sites such as the Chamber of Commerce, the YMCA, and the MBTA sites. Through a guest account, users are then granted full access to the internet. Bandwidth is limited, but the service is ideal for basic web browsing and to check emails.

A city website, managed by Delaware.net, provides e-mail links and contact information to city offices and access to city documents and forms. Remarkably, with a click of the mouse, the site can be translated into more than 50 different languages. Delaware.net also supports the city’s trouble ticket system for technology problems, where problems submitted by system users can be tracked until resolved.

Appropriations for technology purchases have typically been requested by individual departments, though some consult with the information technology department prior to purchasing. Consequently, technology decision-making and purchases have not been consistently done in a centralized manner through the information technology department. For example, the purchase of the Velosum parking ticket software was not evaluated by the IT department, so the city made this purchase without a clear understanding of how it would work with existing city hardware and software. The city has not purchased any new desktop computers in the last two years and has not utilized the option to lease computers.

**Conclusion** – The city’s IT department has made great strides over the last several years in creating a safe, secure and well-managed information technology infrastructure. The challenge going forward, given the city’s decentralized government structure, will be to elevate the IT department to a more prominent role in assisting departments to use technology more effectively and efficiently, to guide them in making coordinated technology decisions and assist them in training staff on basic computer usage. In many ways, an empowered, well-funded IT department represents the key to achieving efficiencies with scarce government resources.

### ***Recommendation 29: Centralize IT Purchases and Budgeting***

We recommend that all city hall technology needs be evaluated centrally by the IT department and that all technology funding requests be consolidated within the IT budget. The IT department is in the best position to evaluate individual department requests relative to current and future industry standards, compatibility with technology currently in use in other departments, and how a request comports with an overall plan to advance city technology. When making future technology purchases, the recipient department’s desired functionality and operating needs are important, but they must be reconciled within this global technology perspective. Prior city decisions to purchase financial software packages that were not integrated and the problems that ensued serve to highlight the downside of making technology purchases in a decentralized manner. Budgeting all

technology purchases centrally in the IT department will also allow the city to better measure and evaluate its annual investments in technology.

***Recommendation 30: Explore Offering Low-cost WiFi Service***

We recommend that the city evaluate expanding its wireless internet service and explore offering low cost, high speed service to residents and businesses. The IT director is exploring the potential to implement a “white space” wireless internet service. Using the frequencies originally allocated to analog television, a white space network allows signals to travel about 1.5 miles rather than the typical 600 yards a traditional WiFi transmitter might cover. Since the Federal Communications Commission (FCC) has set strict guidelines for these networks, the city could partner with a firm experienced with this technology that tracks existing area usage by frequency to avoid FCC prohibitions to disrupting existing usage.

Providing low cost, high-speed service will put internet access within reach of more of the city’s diverse population and act as a potential catalyst for additional development within the city. It could also be a potential revenue source for the city.

***Recommendation 31: Expand the Use of Trouble Ticket Application***

We recommend that the city use the Delaware.net trouble ticket application to allow residents to request city services or register a complaint. A benefit of this system is that it will provide residents with an electronic means to request work or file a complaint. The city will be able to catalog and track these issues centrally, route the issue to the appropriate department to address the problem, and follow-up with the person initiating the request once the problem has been addressed. Creating a log of these issues will help the city monitor progress on resolving complaints, reveal patterns so that the city can more readily identify underlying causes, and foster a higher level of accountability in government with an emphasis on good customer service.

***Recommendation 32: Offer More Computer Training Opportunities***

We recommend that the IT department, perhaps in collaboration with the human resources department, offer more computer training to city hall staff. During our interviews with individual city staff, it became apparent that most felt that they would benefit from increased computer training, including general training in MicroSoft Office software such as Excel or Word. While we understand that resources are limited and it may be difficult to implement this recommendation in a comprehensive way, the IT department should begin discussing this with the human resources department to determine the best way to introduce limited, targeted training sessions that best meet

the needs of city employees. The city's human resources director has considerable experience in developing and implementing employee training programs.

### ***Recommendation 33: Other IT Related Issues***

There are a few other areas where we believe the city could realize additional efficiencies through the use of technology:

- Create an intranet, available to city users only, to disseminate and track employee acceptance of important or required policies such as the city's newly instituted code of conduct, sexual harassment policies and ethics training. Other employee forms and resources, along with acceptable internet and email usage policies, should be posted to this internal system as well. For guidance on acceptable use of email and internet, we direct the city to a copy of the policies in place at DOR:  
[http://www.mass.gov/Ador/docs/dls/mdmstuf/Technical\\_Assistance/Best\\_Practices/samplusepolicy.pdf](http://www.mass.gov/Ador/docs/dls/mdmstuf/Technical_Assistance/Best_Practices/samplusepolicy.pdf) .
- Analyze potential costs/benefits of moving to a Voice over Internet Protocol (VOIP) phone system to replace the 230 centrex phone lines in city hall. Implementing VOIP phone service will probably save the city money while allowing it to add services that it currently does not have, such as voice mail.
- Implement Global Positioning Systems (GPS) in city public safety vehicles so that the Computer Aided Dispatch (CAD) system used by dispatchers will display the location of these vehicles in real time at the communications center. This will enhance the ability of the dispatchers to send the closest responder and improve officer safety by tracking the location of their vehicles.
- Develop a technology replacement schedule so that the city can regularly replace servers and desktops. As part of this plan, the city should investigate the advantages of leasing computers. Often, leasing offers a cost-effective means to refresh technology.
- Consider creating a consolidated IT department to handle all city technology including the schools and public safety departments. Having separate IT operations in various city departments works counter to the development of a city-wide technology strategy where information can be uniformly secured and protected, purchases can be coordinated to facilitate or enhance the exchange of information among departments and functions such as user support can be standardized and strengthened.

**Appendix A**

**Select Socioeconomic and Financial Indicators  
Communities with Populations between 45,000 and 70,000**

Municipality	2009 Estimated US Census	US Census 1999 Income per Capita	2008 EQV/2009 US Census	Land SQ Miles	Population Density per Sq. mile	2008 Births	Births per Thousand	FY2010 Free Cash	6/30/09 Stabilization Fund
Malden	56,151	22,004	108,270	5.07	11,075	989	17.26	-1,771,365	0
<b><u>Comparable Communities</u></b>									
Framingham	67,185	27,758	142,104	25.12	2,675	1059	15.76	1,765,820	4,992,051
Haverhill	61,588	23,280	108,793	33.33	1,848	882	14.32	4,170,615	1,253,575
Waltham	60,605	26,364	163,915	12.7	4,772	837	13.81	7,769,448	4,958,128
Plymouth	56,845	23,732	186,263	96.46	589	634	11.15	4,098,713	8,573,453
Brookline	56,410	44,327	275,901	6.79	8,308	666	11.81	4,590,079	5,356,986
Chicopee	55,994	18,646	69,431	22.87	2,448	636	11.36	3,519,575	10,082,962
Taunton	55,815	19,899	118,595	46.61	1,197	729	13.06	-1,452,099	8,032,902
Medford	55,578	24,707	143,150	8.14	6,828	673	12.11	1,056,105	5,195
Weymouth	54,005	24,976	136,791	17.01	3,175	674	12.48	3,163,741	103,940
Peabody	51,726	24,827	153,020	16.4	3,154	527	10.19	7,329,212	3,321,101
Revere	51,693	19,698	107,782	5.91	8,747	761	14.72	957,932	2,157,134
Barnstable	46,297	25,554	348,668	60.04	771	447	9.66	8,411,317	13,530,478
<b>Average Comparable Communities</b>	<b>56,145</b>	<b>25,393</b>	<b>160,021</b>	<b>29.28</b>	<b>1,917</b>	<b>710</b>	<b>12.65</b>	<b>3,781,705</b>	<b>5,197,325</b>

State average 1999 per capita income from the US Census Bureau is \$25,952 and the state average EQV per capita is \$164,070

## Appendix B

### Appointment Authority for Key Finance/Legal Positions Communities with Populations between 45,000 and 70,000

Municipality	Population 2009 Census	Form of Government	Auditor or Controller	Treasurer	Collector	Assessors	Solicitor/ Counsel	Source
Malden	56,151	Mayor/Council	Council	Council	Council	Council	Council	Chapter 169 of the Acts of 1881
<b><u>Comparable Communities</u></b>								
Framingham	67,185	Selectmen/ Manager	Manager	Manager	Manager	Selectmen	Selectmen	Chapter 27 of the Acts of 1996
Haverhill	61,588	Mayor/ Council	Mayor	Mayor	Mayor	Mayor	Mayor	Plan A Adopted - 1965
Waltham	60,605	Mayor/Council	Mayor	Mayor	Mayor	Mayor	Mayor	Chapter 135 of the Acts of 1986
Plymouth	56,845	Selectmen/ Manager	Manager	Manager	Manager	Manager	Selectmen	Chapter 358 of the Acts of 2004
Brookline	56,410	Selectmen/Administrator	Administrator	Administrator	Administrator	Administrator	Selectmen	Chapter 25 of the Acts of 1993
Chicopee	55,994	Mayor/Council	Civil Service	Elected	Elected	Elected	Mayor	Chapter 239 of the Acts of 1897
Taunton	55,815	Mayor/Council	Council	Council	Council	Council	Mayor	Chapter 209 of the Acts of 1864
Medford	55,578	Mayor/Council	Mayor	Mayor	Mayor	Mayor	Mayor	Chapter 605 of the Acts of 1986
Weymouth	54,005	Mayor/Council	Mayor (CFO)	Mayor (CFO)	Mayor (CFO)	Mayor (CFO)	Mayor	Home Rule Charter - 1999
Peabody	51,726	Mayor/Council	Mayor	Mayor	Mayor	Mayor	Mayor	Chapter 300 of the Acts of 1916
Revere	51,693	Mayor/Council	Mayor	Council	Council	Mayor	Mayor	Plan B Adopted - 1964
Barnstable	46,297	Manager/Council	Manager	Manager	Elected	Manager	Manager	Home Rule Charter - 1989
<b>Executive Branch Appoints</b>		<b>Number Percent</b>	<b>10 of 12 83.33%</b>	<b>9 of 12 75.00%</b>	<b>8 of 12 66.67%</b>	<b>10 of 12 83.33%</b>	<b>12 of 12 100.00%</b>	

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## Acknowledgements

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James M. Nestor, Chair of Finance Committee  
Kathryn Fallon, City Solicitor  
Charles Ranaghan, Controller  
Domenic Fermano, Controller (retired)  
Linda Biancucci, Administrative Assistant  
Elise Donovan, Accounts Payable  
Deb Lawlor, Administrative Assistant  
Toni Mertz, Sullivan, Rogers and Company, LLC  
Jacqueline J. Jones, Assistant Treasurer/collector  
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Stacy Winn, Treasurer/collector's office  
Elizabeth Christie, Treasurer/collector's office  
Lillian Fitzgerald, Treasurer/collector's office  
Christine Drinkwater, Parking clerk  
June DiGiantomaso, Treasurer/collector's office  
Allison Tran, Payroll Supervisor  
Kathy French, Assessor and Administrative Assistant  
James O'Brien, Assessor  
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