



Town of Manchester-by-the-Sea

Financial Management Review

Division of Local Services / Technical Assistance Section

August 2012



August 17, 2012

Board of Selectmen
Town Hall
10 Central Street
Manchester-by-the-Sea, MA 01944

Dear Board Members:

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

Our technical assistance team welcomes the opportunity to present the report to the board of selectmen at a public meeting. As an added service, we are willing to meet with staff, earlier on the same day, to discuss implementation of the report recommendations.

As a routine practice, we will post the completed report on the DLS website, www.mass.gov/dls, and forward a copy of the report to the town's state senator and representative.

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.

Sincerely,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Bruce E. Tarr
Representative Bradford Hill

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Introduction

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) completed a financial management review of the Town of Manchester-by-the-Sea. The recommendations contained in this report are based on site visits made by a team from the DLS Technical Assistance Section and consultations with the Bureau of Accounts and Bureau of Local Assessment.

The scope of the review focused on the town's financial offices and the practices, procedures and policies that guide municipal decisions. We examined the duties and responsibilities of finance officers and the degree of coordination and communication that exists among the various boards, committees and officials involved in financial management. We comment on the effectiveness of financial checks and balances and on compliance with state laws and regulations that govern fiscal matters. The municipality's technology condition was assessed and the impact of organizational structure on financial operations was evaluated.

To complete the report, we interviewed and received information from members of the board of selectmen, the town administrator, town accountant, treasurer/collector, principal assessor, harbormaster, and others. A full list is available on the Acknowledgments page.

Also included as part of our review, we gathered and examined information from various documents including the Tax Recapitulation Sheet, Schedule A, balance sheet, and Manchester-by-the-Sea's annual budget, warrants payable, revenue and expenditure reports, and reconciliation reports. We reviewed town bylaws and locally accepted statutes, the outside audit report completed by Powers & Sullivan, and the independent credit rating report by Moody's.

Overview

Situated on the northeast coast of Massachusetts, the Town of Manchester-by-the-Sea is a small, affluent residential community with a population of 5,136. Encompassing 9.3 square miles of land, it is one of the four communities that make up the scenic Cape Ann peninsula, along with Gloucester, Essex and Rockport. The town is about 30 miles from the Boston via Route 128, and residents have the advantage of a commuter rail stop in the town center. Among other amenities, the seaside town maintains an active harbor and beaches that are popular with residents as well as out-of-towners. Manchester-by-the-Sea partners with the Town of Essex in funding the Manchester-Essex Regional School District to provide K-12 public education.

The combination of a quaint, picturesque environment and proximity to Boston contributes to high income levels and property wealth in town. Manchester-by-the-Sea's affluence is indicated by its 2010 per capita equalized property value of \$467,818, which ranks 22nd in the state. Also telling is the most recently available per capita income data, which places the town in the top four percent of communities statewide.

Because the town has few commercial or industrial businesses, the tax burden is predominately borne by residential property owners, who comprise 93 percent of the total tax base. The town's average single-family tax bill of \$10,125 ranks 12th in the state and is 115 percent higher than the state average of \$4,711. Since 1990, residents have approved five overrides of Proposition 2½, which together have compounded to add \$2.7 million to the tax levy. Hence, almost 13 percent of the current levy stems wholly from these overrides.

As reported to the Department of Revenue on the Tax Recapitulation Sheet, the town's FY2012 budget was \$26,466,302. Approximately 80 percent of the budget was funded through the tax levy, 18 percent from local receipts, and 1.5 percent from other sources. Only 0.73 percent of the town's budget came from state aid. This is mainly due to the absence of Chapter 70 education funds, which the state gives directly to the school district, and it is also attributable to the town's wealth relative to other Massachusetts communities.

Locally generated revenues are derived from a combination of general fund receipts (e.g., motor vehicle and boat excises, investment income, departmental fees and licenses, etc.) and water and sewer enterprise charges. To further enhance revenues, Manchester-by-the-Sea adopted the meals tax local option and the Community Preservation Act. Receipts from the beaches and harbor are substantial, to the level that these operations are nearly self-supporting.

In terms of expenditures, the largest portion of town funds, 54 percent, is spent on education. Fixed costs, such as health insurance and pension benefits, comprise 11 percent of the budget, public safety 10 percent, and debt service 7 percent. General government, including costs associated with operating the finance offices of the accountant, treasurer/collector and assessors, accounts for just under 5 percent of the total operating budget. Culture, recreation and human services make up the remainder.

In FY2012, the town's debt service costs were almost \$1.9 million. In FY13, it will carry debt service for 19 projects. Nine of these projects are due to be paid off within four years, by the close of FY17. The roll off of this debt would reduce the budgetary debt service share from seven to four percent, thereby providing additional borrowing capacity for future projects.

Among other available funds to draw from, Manchester-by-the-Sea's certified free cash balance as of June 30, 2011 was \$716,408, or 2.71 percent of the total budget. At the same time, the town had another 2.65 percent of the budget (\$700,433) in a stabilization fund at the close of FY2011. Total reserve balances, however, have decreased over the last few years. Since its peak in 2008, the total combined balance has declined by 30 percent.

In the absence of a charter, the Town of Manchester-by-the-Sea operates under a mix of state statutes and local bylaws that collectively define the responsibilities of office holders and the procedural requirements of government. Executive authority is exercised by a board of selectmen comprised of five members who are responsible for establishing policies and setting town goals. The board appoints a town administrator to oversee day-to-day government operations and coordinate the routine activities of the town's financial officers, chief among them an accountant and a treasurer/collector. Another chief finance manager is the principal assessor, who is appointed by and reports to a board of assessors.

Typical of communities this size, legislative power is vested in open town meeting. To advocate for the interests of town meeting, the bylaws established a nine-member finance committee. Two thirds of its members are appointed by the selectmen and the other third by the moderator.

The town provides water service to roughly 90 percent of residents and sewer services to about 55 percent. Both services are managed by the Department of Public Works and supported by enterprise funds, whereby user rates pay for all the operational costs. Per town policy, however, bonded sewer capital projects are paid 75 percent by the sewer users and 25 percent by the town taxpayers as a whole. In 2009, a task force was commissioned to conduct a high-level study of the state of the sewer system and to reconsider the capital funding payer ratios. The resulting report recommended maintaining the ratios, conducting a more enhanced survey of the system,

which was reported to be under stress, and commissioning a professional study to examine the feasibility of expanding the system into more areas. The latter two recommendations have not yet been acted upon.

Manchester-by-the-Sea does not have an information technology (IT) department. Instead, the town contracts with an employee of the Manchester-Essex Regional School District's IT group. The primary services provided by the IT contractor are: ensuring nightly data back-ups, providing user support, maintaining and updating servers, proposing upgrade schedules, and providing vendor quotes. The town contracts with Virtual Towns & Schools to host their website, which provides a wide range of useful information for residents.

According to the selectmen, part of the impetus for requesting our review came from a citizens action group calling themselves Restoring Obligations to Affordable Reality (ROAR). The group was formed out of concern over the town's obligations to pay pension and insurance benefits to future town and school district retirees. These liabilities are actuarially calculated to be in the tens of millions of dollars, and, as in most Massachusetts communities, much of it remains unfunded. We comment on strategies for addressing unfunded liabilities later in this report.

Manchester-by-the-Sea is undergoing a period of transition, with many new personnel being appointed in key positions. In the past year, the town hired a new accountant, treasurer/collector, town clerk, and harbormaster. In the coming year, it will seek candidates to replace the retiring fire chief and town administrator.

To direct its financial affairs, the town relies heavily on past practice instead of formally adopted policies. In discussions with local officials, the only reference to a written policy was in regards to investments and this was acknowledged to be out of date. Nor do the general bylaws provide guidelines for decision making in areas such as reserves, capital planning or the budget process. Capital planning has lately become a particular concern in town, and we commend the recent efforts of the finance committee to develop a formal capital program.

Overall, we found the town hall managers and staff to be skilled and effective in carrying out the duties of their offices. In the following sections of this report, we offer suggestions to enhance operations within the financial departments based on best practices and sound management principles. But first, the more significant of our recommendations address higher-level issues. We believe that Manchester-by-the-Sea should consider adopting a charter and conducting a comprehensive review of its general bylaws. We also recommend the town make enhancements in personnel management, develop financial policies, formalize a capital improvement program, and conduct a town-wide risk assessment.

Overall Financial Management

Comment: Unfunded OPEB Liabilities

We were asked to comment on Manchester-by-the-Sea's unfunded liabilities related to Other Post-Employment Benefits (OPEB). OPEBs represent non-pension benefits earned by public employees to be distributed upon retirement, which generally take the form of healthcare and other insurance premiums. In compliance with Statement 45 of the Governmental Accounting Standards Board (GASB), Manchester-by-the-Sea hired a firm that actuarially calculated the town's unfunded OPEB liability to be \$13 million as of June 2011. Additionally, Manchester-by-the-Sea is responsible for approximately 63 percent of the Manchester-Essex Regional School District's OPEB liability, recently calculated to be \$18 million.

Making projections for OPEBs is inherently thornier than for pensions. They require more guesswork about the effects of future societal factors, such as healthcare inflation, changes in prescription drug utilization, and evolving government mandates. And OPEB trust accounts are also subject to market fluctuations, same as pension funds. Nonetheless, communities are legally required to pay OPEB benefits.

While Massachusetts law requires state and local governments to fund pension liabilities, there is no corresponding legal requirement for funding OPEBs. Many communities follow a practice of merely paying for OPEBs on a pay-as-you-go basis (i.e., as line items in annual budgets) with no formal policy for addressing the totality of the unfunded liability. Manchester-by-the-Sea, however, has been more proactive than most municipalities in taking steps in this regard.

Most recently, the ROAR group successfully petitioned to include OPEB and pension-related articles in the annual town meeting warrants of the last two years. In April 2011, voters approved an article requiring the town to provide a detailed report on unfunded liabilities in its annual town reports. In April 2012, voters approved articles establishing an OPEB trust fund and appropriating \$100,000 to it. These measures were in addition to, and concurrent with, potential cost-saving actions initiated by the board of selectmen, namely:

- Requiring eligible retirees age 65 and over to enroll in Medicare.
- Verifying the Medicare status of retirees already over 65 and referring appropriate persons for enrollment.
- Auditing the group health insurance rolls and dropping retirees found to be ineligible.
- Adopting a regulation that blocks retirees who did not enroll in the group health insurance program from enrolling in the future.

- Allowing employees to waive their rights to group health insurance, including at times of hiring or increasing to full-time work hours.
- Collectively bargaining new agreements that reduced the town's premiums by 10%.
- Negotiating for further phased-in reductions over the next three years and for lower town insurance contributions for new hires.

The citizens and officials of Manchester-by-the-Sea have taken the kinds of actions we typically recommend to address OPEB liabilities and are to be commended. In particular, the OPEB trust fund provides the town with flexibility in the use of investment options, so long as they remain compliant with the prudent investor rule established in M.G.L. c. 203C. The ultimate decision remaining is the amount the town is willing to appropriate annually to the OPEB trust fund. In considering sources for OPEB fund contributions, the town could decide to appropriate amounts equal to its Medicare Part D federal reimbursements. Alternatively, the equivalent of any monies saved through conservative annual healthcare spending estimates could be applied to this fund.

As a supplementary method for growing the fund, the town could consider reinvestment with the State Retiree Benefits Trust Fund established in M.G.L. c. 32A, § 24. The following links from the Office of Administration and Finance's webpage provide further guidance about this option and OPEB issues generally: <http://www.mass.gov/anf/srbtf.html>, <http://www.mass.gov/anf/opeb-commission.html>

Recommendations

1. Conduct a Town-Wide Risk Assessment

We recommend that Manchester-by-the-Sea implement a town-wide risk assessment program. A risk assessment is a sophisticated evaluation of operations utilized often in the private sector and increasingly in government. It involves an examination of the events or circumstances of both internal and external origin that represent potential threats to achieving town-wide or departmental mission critical objectives. The process leads to the development of a program designed to manage each identified risk or exposure.

A meaningful risk assessment program is heavily dependent on the willing participation of department managers. It also requires that the person or persons assigned to implement the program have sufficient knowledge of and authority within municipal government operations. Though not essential, prior experience in risk assessment is also helpful. A fundamental

approach once developed is then systematically replicated across departments. Consequently, the town administrator might most effectively oversee a risk assessment program.

Advance planning goes far to ensure the success of the process. The program administrator must identify the information to be collected, and then devise a system for organizing and presenting the data in a way that facilitates analyses and decision making. For scoring the risks, we recommend using a one-to-five scale. The following steps are fundamental to the process:

- 1) Identify mission critical functions or objectives.
- 2) List the events that might impair or prevent the accomplishment of a specific function or objective. These are the risks to be evaluated.
- 3) Rate the likelihood or probability of each risk occurring.
- 4) Rate each risk's potential level of impact.
- 5) Identify controls to mitigate each risk.

To institute a risk assessment program, a community should consider initially limiting the scope to town-wide operational systems such as personnel management and information technology. For the subsequent review of each department, the initial focus could be on the objectives and responsibilities deemed to be most critical. Beyond key job functions, risk exposure is associated with the town's rolling stock, buildings and equipment, which should all be inventoried. There are also risks inherent in each contract a city or town enters. A risk might arise from the potential absence of a key person, the loss of a critical piece of equipment, or the failure of a vendor to perform under contract terms. In the area of personnel, a manager's neglect to maintain certain records or to follow progressive disciplinary procedures could result in liabilities. The universal, operational reliance on information technology makes crucial the need to thoroughly assess the risks associated with protecting the community's processing and reporting systems.

Once risks are identified and scoring is completed, the participants review the controls in place to mitigate the risks and consider what additional controls might be applicable. Controls are tools designed to provide reasonable assurance that risks will be prevented or detected. Control examples include: policies, procedure manuals, separation of duties, authorizations, documentation, physical security of assets, reconciliations, inventories, audits, antivirus software, firewalls, user privileges, disaster recovery plans, and many others. Decisions to maintain, improve or add controls should be based on a cost-benefit analysis tied to the combined likelihood / impact risk assessment score.

Lastly, to be most effective, the risk assessment programs should be revisited or ongoing, which would allow the town to keep pace with changing circumstances.

2. Establish a Formal Capital Improvement Program

We recommend that Manchester-by-the-Sea develop and formalize a capital improvement program. Based on our conversations with local officials, the town tends to address capital needs on an ad hoc basis. Although the town administrator receives and maintains data on departmental capital requests, no formal policy exists for evaluating, prioritizing and budgeting them. With a comprehensive capital planning program shaped by clear, consistent standards and spending priorities, the town can more effectively direct funds to identified needs and make strategic plans based on explicit long-term goals.

The need for a capital program has been recognized in various town quarters in recent years. Beginning in summer 2012, the finance committee plans to take the lead in laying the groundwork for the eventual design of the formal program, and we encourage them in this work. As a first step, they plan to develop a complete inventory of all capital assets, which may encompass real estate, buildings, equipment, roads, utilities and sewers. As a starting point, we suggest that the committee request the accountant's schedule of fixed assets that he is required to maintain per GASB 34. It should list the town's assets with their dates of acquisition or last improvement and depreciated values. After the committee's review, the list should be supplemented with current conditions, extents of use, and proposed or scheduled dates for replacement or expansion, as appropriate.

Next, the finance committee and board of selectmen should agree to standard criteria for identifying capital items. Most commonly, these are based on two factors: minimum useful life (e.g., five years) and minimum dollar expense (e.g., \$5,000). Policy should dictate that any projects or purchases that fail to meet either threshold must be funded through departmental budget line items.

The next program consideration involves prioritization. To arrive at an objective means to compare project urgency, proposed capital projects or purchases should be scored and ranked based on the following questions:

- Is the project necessary to address public safety?
- Is the project legally required (e.g., to satisfy facility access regulations or a court judgment)?

- Are there timing issues (e.g., will the town face extraordinary costs if a project does not move forward or if an ongoing project is overbudget)?
- Are matching funds or grants available?
- Does the project have future operating cost impacts?
- Is the cost necessary to address deferred maintenance?

As an ongoing practical matter, once the above standards have been established, the capital review process could parallel the annual budget process. In the early fall of each year, department heads would submit their capital needs to the town administrator. Using the above standards, the town administrator then evaluates the requests and presents recommendations to the selectmen. The selectmen analyze and deliberate on the proposals before passing their recommendations on to the finance committee for final consideration.

Once the town decides on all aspects of a comprehensive capital program, we recommend that officials formalize the process bylaw for the benefit of current and future office holders. Additionally, we advise that they tie the capital improvement program to multi-year budget plans as further recommended below.

3. Establish a Recurring Funding Source for Capital Improvements

We recommend that the town establish a recurring funding source for capital improvements. An effective capital improvement program should be consistently funded from year to year, backed by policies that guide the use of debt, dollar outlays and capital exclusions¹ as funding mechanisms. Among the options the town should consider are:

- Identify a percentage of free cash to use for direct capital outlays or debt service.
- Specify an amount available for debt service for capital improvements as a percentage of recurring general revenues.
- Establish guidelines to determine when a capital improvement qualifies for funding through capital exclusion.
- Define capital needs as functions of the annual asset depreciations calculated under the requirements of GASB 34.
- Dedicate special assessment or betterment revenues to support long-term debt.

¹ Capital outlay expenditure excluded under Proposition 2½. The full cost of a capital purchase is raised through taxes in one year only.

4. Establish Formal Financial Policies

We recommend that Manchester-by-the-Sea establish formal financial policies to promote fiscal stability, provide guidance on responsible and effective management, and reinforce internal controls. Furthermore, a comprehensive set of financial policies can have the added effect of boosting the town's credit rating.

With input from financial officers and the finance committee, the town administrator should develop financial policies and submit them for review and approval by the board of selectmen. In general, we advise communities to establish formal policies covering the following areas:

Budget. Identify participant roles and responsibilities and outline the budget process and time frame.

Long-Range Financial Planning. Include multi-year revenue and expenditure forecasting, and capital improvement planning.

Accounting and Reporting. Explain how the town will comply with Massachusetts General Laws and the Generally Accepted Accounting Principles associated with GASB, including financial structure, monthly reporting, asset inventory, independent outside audits, cash management, etc.

Investment. Outline the controls established to ensure compliance with state laws, preserve liquidity, and maximize rates of return while minimizing risk.

Revenue Policies. Identify revenue sources, and promote diversification, conservative estimates and sustainable increases, if any.

Fees and Charges. Stipulate the legal basis for establishing fees and charges, the methods by which they are set, the extent to which costs are recovered, and the requirement for periodic reviews through costing studies.

Use of One-Time Revenues. Promote consistent, prudent practices for the management of various one-time revenues, including free cash. The policy should preclude using these types of revenues to fund recurring expenditures.

Debt Capacity, Issuance, and Management. Specify the appropriate uses for debt, the timing for long-term bond issuances, the financial advisor's role, and the allowable ratio of debt service to total budget.

Reserves and Stabilization Funds. Endorse the practice of appropriating money annually to legal reserves for future needs and identify potential extenuating circumstances for which reserves may be used.

For further guidance, we encourage the town to review sample policies from other communities to help determine what would work best for Manchester-by-the-Sea. Additionally, the Government Finance Officers Association's website has many useful links on policy planning, www.gfoa.org.

5. Conduct a Government Study to Consider Charter Establishment

We recommend the town undertake a comprehensive government study that will give serious consideration to the adoption of a town charter. As Manchester-by-the-Sea makes decisions on how it wishes to be governed in the future, it should look to a charter as a means to solidify its organizational structure, define relationships among town officials, boards and commissions, and clearly set out its financial processes. Moreover, charters discourage frequent or frivolous bylaw amendments, ensure long-term stability, and have become the preferred means for defining communities' governmental structure.

Serving as a blueprint for local government, a charter defines the authority and responsibilities of the town administrator and other officials, establishes lines of accountability, and addresses the appointment of officers and boards. It can also outline elements of the budget process, capital planning and personnel policies. The choice of a charter as a vehicle for change reflects a decision to assess all of municipal government rather than address individual aspects of management through incremental adjustments.

The town has two options when considering the means to adopt a charter. Most frequently, towns form a government study committee to examine, through an open process, the structure and operation of government. If change is warranted and a charter is recommended, the committee drafts the proposed charter as a special act (Home Rule petition), which then requires the approvals of town meeting, town voters and the State Legislature. This process allows the formation of a balanced, open-minded committee and a manageable time frame for completion of the committee's work.

Alternatively, town voters can elect a nine-member charter commission under M.G.L. c. 43B. This statute directs the commission to meet certain procedural requirements and to complete its final report within 18 months. Any recommendation by the commission would then be placed before the voters for final acceptance or rejection. More information on these options can be found on the DLS website via this link: <http://www.mass.gov/dor/local-officials/municipal-data-and-financial-management/financial-mgt-assistance/restructuring.html>

6. Conduct a Substantive Review of Town Bylaws

We recommend Manchester-by-the-Sea perform a substantive review of its bylaws. In doing so, the town can make them consistent with current practices and ensure continuity even as appointed and elected officers change. By their nature, the wide-ranging discussions prompted during bylaw reviews should lead to the codification of rules befitting the character and preferences of the community. Thoughtfully and diligently evaluated, the general bylaws should help establish working relationships among town employees and define residents' rights and obligations associated with local government.

7. Develop a Succession Plan for the Town Administrator Position

The town administrator has informed the board of selectmen that he plans to retire when his current contract expires in June 2013. With this lead time in hand, we encourage the board to step up its plans for finding his successor. Proactive succession planning is essential for providing a smooth and thoughtful transition during times of turnover.

After determining a target date for filling the position, the selectmen should develop a transition plan for the likely time gap between the administrator's departure and the hiring of his replacement. If this occurs in mid-year, the remainder of his salary appropriation can be used to cover the cost of an interim town administrator until the end of the fiscal year.

In anticipation, officials should allow time to document, in a comprehensive job description, the core functions, legal responsibilities, and other expectations of the position. Once drafted, they should survey similar neighboring communities to determine a sufficiently competitive compensation to attract qualified job candidates. Drawing from the job description and samples of other towns' advertisements, they should draft an advertisement most fitting for Manchester-by-the-Sea. Among other locations, the town should plan to advertise the position online and in the hard copy version of The Beacon, a widely-recognized source of municipal job openings published by the Massachusetts Municipal Association.

We also recommend that, at the appropriate time, the selectmen consider forming a town administrator screening committee. Comprised of five or seven residents, this committee would review applications, which could be many, within a specified time frame. Screening committees are most effective when they are a mix of open-minded persons with management-level hiring experience and knowledge of municipal government and finances. While most screening

committees interview sitting selectmen, other local officials and employees, they do not include them as committee members. The committees often receive public input through hearings.

The committee would conduct interviews with the most highly qualified candidates and then recommend three to five names to the board of selectmen, who would then conduct their own interviews and make the final selection. Be aware that, under the state open meeting law, the screening committee process is closed to the public, while the selectmen's finalist interviews and deliberations must be public.

8. Formalize Town Administrator Duties in Bylaw

Once the town has reviewed the town administrator's position as part of the succession plan, we recommend that it formalize the office's responsibilities in bylaw. In the general bylaws, the town administrator is only mentioned within the personnel bylaw and in a section granting power to appoint a harbormaster. The state act that established the position in 1999 only refers generally to the administrator's appointment powers and overall responsibilities for acting as the agent for the selectmen and directing all town operations under their purview.

The absence of a town administrator bylaw can create confusion as to the extent of the position's responsibilities and legal authorizations in areas such as union contract negotiation, service procurement, and warrant approval. Equally important in this transitional period, professionals seeking employment as town administrators are most attracted to communities that have bylaws with well-defined duties and powers for the position.

Therefore, we recommend that Manchester-by-the-Sea adopt a town administrator bylaw that will specify the various roles that the office plays in the general administrative and financial management of the town. Areas covered should include (but not be limited to): the budget process, financial operations, policy research and analysis, personnel administration, information technology oversight, contract negotiations, and procurement. In the course of this process, we also encourage the board of selectmen to re-evaluate how they relate to the town administrator with the intent of clarifying expectations and establishing priorities.

9. Codify the Budget Process in Bylaw

We recommend that town officials codify the budget process as a bylaw. Even in towns with well-functioning budget practices, it makes sense to formally establish the process in writing to serve as a template for future changeovers in decision-making positions. This codification would be particularly timely in light of the anticipated retirement of the current town administrator.

The parties we spoke to expressed qualified satisfaction with the informal system that has been operable in recent times. The town administrator engineers the early stages of the process, setting the schedule based on long-standing tradition and gauging it backwards from the annual town meeting date established in bylaw (the first Monday in April). He presents annual budget guidelines to department heads based on revenue forecasts created by the town accountant. After he receives and compiles the budget requests from department heads, he presents a budget to the board of selectmen.

The selectmen complete their review of the budget by the first week of January and pass it on to the finance committee. The finance committee completes their review by the end of January, in time for the closure of the town meeting warrant during the first week of February. Both the selectmen and the finance committee meet with department heads as part of their respective budget reviews.

Although about half of the town's budget is spent to support the Manchester-Essex school district, historically, the town does not receive the district's budget until early February. While this timing can lessen the effectiveness of the earlier budget analysis, problems in reconciling any differences have reportedly been limited. To improve coordination, there have been attempts to have earlier meetings among the selectmen, finance and school committees scheduled in the fall. At first these were a bit unwieldy, but last fall the meetings were limited to a smaller number of board and committee representatives, and this worked better. We encourage the continuation of tri-board budget meetings among the respective chairmen, and advise that these fall meetings be included as part of the formal budget process bylaw.

The budget process should not end with town meeting but should extend to budget monitoring throughout the year. Therefore, we also advise that the budget bylaw task the finance committee to do periodic reviews of revenue and expenditure reports. We discuss this more in a later recommendation.

10. Reconsider Voter Approval of Borrowings

Manchester-by-the-Sea's general bylaws contain a 1991 special act and a pre-existing bylaw whose terms seem to delay the effectiveness of certain town meeting actions until confirmation by town-wide vote. The bylaw requires town voter approval on bond authorizations of \$250,000 or more. The language of the special act is confusing at best, but it appears intended to supersede the bylaw by requiring voter approval before the authorization of any incurrence of indebtedness tied to a general bylaw. It also seems to require a town-wide vote before the validation of any other town meeting action specified in general bylaws.

While we defer to town counsel on interpreting the exact meaning of the special act, generally, this type of restriction is rare in towns today. In some communities, we have seen local provisions that allow residents to challenge certain town meeting actions by forcing a town-wide vote through a signature petition process. However, such mechanisms have fallen out of favor because they can produce insurmountable obstacles to achieving town goals. They are particularly onerous when, as in Manchester-by-the-Sea, the ballot approval margin is a two-thirds vote, making town meeting actions reversible by a very small number of residents voting in opposition.

The process is also in a sense redundant. Ballot voters have equal opportunity to attend the open town meetings where the initial decisions are made. Lastly, the requirement necessitates additional costs for special elections. For these reasons, we recommend that the town reconsider the merits of the town-wide vote requirement.

11. Expand and Enhance the Personnel Bylaw

Manchester-by-the-Sea has a personnel bylaw, Article XIII, which empowers the town administrator to establish and maintain the personnel system, but it provides no specific references to existing policies and procedures. We recommend the town expand this bylaw to stipulate all the human resource-related policies and procedures, and the rights, obligations, and benefits applicable to all town employees.

Among other goals, subsections of the personnel bylaw should aim to accomplish the following:

- Define distinct classification groups for all town positions with similar complexities of duties or levels of responsibilities.
- Establish compensation tables for the classifications, listing minimum salary / wage rates and providing for periodic step increases up to a maximum compensation.
- Require written job descriptions for all positions.
- Outline procedures for hiring, performance evaluation, grievances, and termination.
- Define benefits and earned leave, including how to qualify employees who may be rehired after a specified period of time.
- Authorize the particular town officials allowed to access personnel files.
- Provide for various human resource policies, such as equal opportunity, sexual harassment, conflict of interest, etc.

Manchester-by-the-Sea has a few personnel policies already, but we propose that the town administrator formulate others, subject to selectmen approval, to cover additional important areas such as the Whistleblower Act, ethics, safe workplace, email, Internet, and handling confidential information.

12. Create a Formal Employee Handbook

The assistant treasurer provides each newly hired employee with set of paperwork known as the new hire package. It includes copies of the town's current personnel policies, along with tax, banking, insurance, etc., forms to fill out and return. These are accompanied by a cover sheet listing all the papers being conveyed and including places for the new employee to sign and date.

We recommend that the town consider creating a formal, bound employee handbook, with the loose forms to be filled out by new hires included in a separate folder. Once completed, we recommend that the treasurer/collector create a spreadsheet or other database to verify and track that all new and current employees received copies and signed acknowledgments for them. In addition to all existing and to-be-developed personnel policies, we suggest that the handbook also include classification tables, standards for employee conduct, attendance requirements, leave time accruals and usage, insurance and retirement benefits, disciplinary procedures, and other relevant information. Employee handbooks from other communities may serve as good models, such as the two provided in the links below.

http://www.arlingtonma.gov/public_documents/ArlingtonMA_Personnel/handbook.pdf

http://www.hadleyma.org/pages/HadleyMA_Treasurer/Handbook.pdf

13. Consolidate and Centralize Personnel Files

Our review revealed that Manchester-by-the-Sea lacks written policies for maintaining and accessing personnel files. Also, many departments retain employees' personnel documents within their individual offices. We recommend that the town embark on a program to consolidate the personnel documents of all employees, with the ultimate goal of storing them centrally within the treasurer/collector's office.

Per state and federal regulations, there are three types of employment-related information that should be maintained apart from each other. M.G.L. c. 149, § 52C, states that an employer must maintain a personnel file containing all documents it has used for, or that may affect an employee's qualifications for: employment, promotion, transfer, additional compensation, or disciplinary action. This personnel file should not contain any medical or personal data protected by the American Disabilities Act or M.G.L. c. 214, § 1(b) respectively. If the above

information is stored in one secure location, such as a file cabinet, three folders should be used to separately maintain the personnel, medical and personal documents.

Further, it is the responsibility of the town to restrict access to employee files only to specific officials authorized in written policy. Subject to the approval of the board of selectmen, we recommend that the town administrator formulate policy and procedures for the maintenance and protection of required employment information, and ensure that the policy identifies the specific officials authorized to access it.

14. Publish Locally-Accepted Statutes and Special Acts as a Bylaw Appendix

We recommend that the town clerk supplement the general bylaws with an appendix listing all of the town's locally-accepted statutes and special acts. This type of appendix is a common feature in the bylaws of many communities and is a logical companion to them. Its inclusion would provide a fuller picture to citizens of all the regulations which govern their town.

15. Encourage Employees to Pursue Professional Certifications

We recommend that the town administrator, with the necessary support and funding of the selectmen, encourage the town's financial officers to seek opportunities for professional development. By attending continuing education courses in their fields, staff gain valuable information and learn about best practices in applying the acquired knowledge.

It is our understanding that the principal assessor has a certification related to her profession while the accountant and treasurer/collector do not as yet. Certifications elevate the professional standing of town staff, and can thereby enhance public confidence in the personnel themselves and in town government generally. The treasurer/collector, being fairly new to the job, could particularly benefit from the peer network that can arise from these training contacts. She has been taking courses offered by the Massachusetts Collectors and Treasurers Association, and we urge her to continue on this path to achieving certifications in both professions.

16. Conduct Monthly Meetings of the Financial Team

It is our understanding that the town administrator meets with all department heads on a quarterly basis to discuss municipal issues. To enhance both ongoing financial operations and long-range strategic planning, we recommend the town administrator establish and chair a smaller team of the financial office managers who would meet formally on a monthly basis. The team should include the town accountant, treasurer/collector, principal assessor, and the IT

consultant. The meetings would be best organized at a convenient time each month, with agendas and supporting materials sent to participants in advance.

A regular part of these meetings would include reviewing the budget calendar and other finance-related deadlines. By compiling financial data, such as prior-year performance, year-to-date activities, and budget projections, these meetings would consider the financial impact of future events, identify critical junctures, and offer early strategies to deal with anticipated areas of concern. Additionally, the combined expertise of the team could provide judicious analysis of the town's cash flow, including the timing of major purchases and issuance of new debt. While the team would not assume the established policy-making powers of the selectmen and finance committee, it would facilitate the collection of data that may serve as the bases for those boards' decisions, in areas such as debt limits, reserve fund levels, revenue/expense estimates, and annual budget guidelines.

Lines of communication would be enhanced by the regular schedule of meetings, providing a means to raise and resolve interdepartmental issues and improve coordination among departments. A less obvious, intangible benefit is the delivery of important information to all parties at the same time. In addition, the financial team would reinforce institutional continuity during times when officers leave their positions.

17. Address Accounting Software Issues

During our interviews, there was significant discussion about varying levels of satisfaction with the Munis accounting software. While some officials were moderately satisfied, others expressed high levels of frustration with it. Common complaints concerned tedious and redundant data inputs, illogical reporting, frequency of system updates, and customer service deficiencies. The financial team would benefit from a timely resolution of these difficulties, some of which could perhaps be alleviated with more training. Therefore, we recommend the financial officers work as a team to systematically address the issues.

The monthly financial team meetings, recommended above, would be the appropriate forum to begin discussions. We advise the team to create a log detailing each specific obstacle, glitch or inefficiency identified. Amongst themselves they may be able to find solutions for some of these. For the others, they should contact Munis to request additional support, training or potential system upgrades. If these efforts fail to significantly diminish the issues, the town could begin to consider the far more costly solution of converting to a different software vendor.

Treasurer/Collector

In Manchester-by-the-Sea, the positions of treasurer and collector are functionally combined. The current treasurer/collector was hired by the town in August 2011 and previously worked as the assistant treasurer/collector for the Town of West Newbury. Reporting to the town administrator, she supervises a full-time assistant collector and a part-time clerk.

A town treasurer is the community's cash manager and, as such, has custody of all municipal money. In addition to assuring the timely deposit of all town receipts into appropriate bank accounts, the treasurer monitors account balances to safeguard the availability of sufficient funds to cover town obligations. The treasurer also invests and manages town funds to maximize investment income and meet cash flow needs. Necessary tools for the job include a cashbook, check registers, and various logs to track balances in the general fund and in various special funds such as grants, trusts, and revolving funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, both internally, and externally with the accountant on a regular basis. Other key duties include maintenance of tax title accounts and document preparation to petition for foreclosure. In Manchester-by-the-Sea, the treasurer's office is also responsible for payroll processing and benefits administration.

Manchester-by-the-Sea's treasurer tracks the cash position of the town's bank accounts in Quicken spreadsheets. There she records the receipts turned over from all town departments, as well as the disbursements made through weekly vendor and payroll warrants. An advisor from First Southwest Company provides the treasurer/collector with financial guidance on borrowing and investment decisions, and also maintains the town's debt schedule.

A town 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 the appropriate accounts, and turned over to the treasurer's books. The collector pursues delinquent property owners and moves their parcels into tax title as an enhanced enforcement measure. To be successful, the collector must maintain an up-to-date receivable control and reconcile it with the accountant monthly. Credit reports should be run as appropriate and research completed to confirm when refunds are due. The collector is also required to respond to requests for municipal lien certificates in accordance with state law.

In Manchester-by-the-Sea, the treasurer/collector's office issues bills for approximately 2,100 real estate and 150 personal property accounts. After receiving property tax commitments from the assessing department, the treasurer/collector transmits corresponding files to the vendor,

BillTrust Inc., to create and mail out quarterly bills. BillTrust is also contracted for the mailing of about 1,950 quarterly water and sewer bills. The treasurer/collector office generates just over 5,500 motor vehicle and boat excise bills annually. The department sends excise commitment files to the deputy collector firm Kelly & Ryan Assoc. Inc. to mail out the bills. Kelly & Ryan are contracted to send out the initial annual bills, send demand notices to non-responders, and do collection enforcement work on accounts that remain delinquent after demand notices.

Each staff member in the department has a workstation equipped with a personal computer and does their daily accounting work using a combination of Excel and Munis software applications. The majority of property tax payments are received from escrow companies. The office also receives payments by mail, over-the-counter, and from the Unipay application on the town website. As payments are received each day, the assistant collector enters them into an Excel worksheet. At the end of the workday, the assistant treasurer uses the Excel worksheet to verify and compile the bank deposit. After the deposit, the daily receivable data is posted to the Munis accounting system. Using biweekly time sheets, the assistant treasurer data enters employee work hours and payroll data in the Harpers Payroll Services database.

At the time of our on-site review, the treasurer/collector had only been working in the position for about nine months. Coming into the job required a good deal of adjusting to the systems and processes specific to Manchester-by-the-Sea. Nonetheless, disruptions in day-to-day operations appear to have been minimal during the transition, and the accountant reported no significant difficulties in performing monthly reconciliations with the treasurer/collector.

Given the end-of-summer timing of her hiring and the acclimation work involved in ensuring continued, smooth-running daily operations, the treasurer/collector did not process FY2011 tax titles before the end of that year. First demand notices were not sent until May of 2012. However, going forward, the treasurer/collector plans to ensure that the process begins timely in the fall of each year.

The treasurer/collector has been systematically reviewing and revising office procedures and documents, including in some of the following areas. She created the town's first new employee package and delegated payroll administrator responsibilities to the assistant treasurer. Manchester-by-the-Sea does not have a standard time sheet, but she drafted one to be implemented town-wide. To strengthen financial controls, she changed the receipt posting procedures so that departmental turnovers are processed separately from tax and water receipts, whereas they had been commingled in the past. She also performed an audit of the health insurance rolls, which resulted in corrections of exceptions found there. The treasurer/collector has identified other projects that she plans to tackle in the near future as well.

Overall, the treasurer/collector fulfills the core responsibilities of the office. In our recommendations, we provide guidance on some tasks that the treasurer/collector has put on her project agenda. We also advise on procedures designed to promote efficiencies, tighten financial controls, and strengthen the town's ability to collect on its debts.

18. Resolve the Tax Title Backlog

The treasurer/collector inherited a backlog of properties in tax title from her predecessor, and we recommend she implement a process to reduce them. As of May 2012, Manchester-by-the-Sea had 39 properties in tax title collectively owing almost \$180,000 in principal. We suggest the treasurer/collector use a spreadsheet to organize tax titles into the groups indicated below and then move them through the process by taking the applicable actions.

- Fast-track land of low value properties toward auction outside of Land Court proceedings. To qualify, a vacant or improved tax title property must have a current assessed value less than \$19,970 for calendar year 2012.
- Consolidate multiple parcels under single ownership to address them together, either in Land Court or during negotiations for partial payment agreements.
- Investigate properties with bad addresses and/or deceased owners to try to identify and contact the legal owners or persons in possession. For owners that cannot be identified or found, petition the Commissioner of Revenue under M.G.L. c. 59, §11 for the authority to assess taxes either to owners unknown or to persons in possession.
- Review existing payment agreements to verify if they are being paid in sufficient amounts to discharge the outstanding tax balances within reasonable time. If not, restructure or void the agreements and initiate foreclosure proceedings.
- Obtain outside legal assistance for the remaining properties through the request for proposal process.

19. Pursue Tailings

Since her appointment to the position, the treasurer/collector has not addressed her inherited or accumulating tailing balances, and we recommend that she do so. A tailing refers to a returned check or one that otherwise remains uncashed, which when neglected, represents a debit liability on the town's books. A tailing can arise from any check disbursed by the treasurer to pay an employee or vendor, to refund a municipal tax or charge, or to pay any other municipal obligation.

Massachusetts General Law Chapter 200A dictates the steps municipalities must take to deal with an uncashed check, which is a form of unclaimed property. M.G.L. c. 200A, §5 deems to be abandoned any check that remains uncashed three years or more after its issuance date. Municipal treasurers holding abandoned checks may turn them over to the state treasurer (M.G.L. c. 200A, §7). Alternatively, the town could locally accept M.G.L. c. 200A, §9A, as amended in 2010, allowing it to print one-year expiration date notices on the checks it issues. Unclaimed checks that continue to be outstanding after the treasurer complies with the further notice and publication requirements listed under §9A will close to the general fund balance and potentially flow to free cash.

20. Revise Deputy Collector Procedures

We recommend the treasurer/collector review procedures related to its deputy collector to ensure compliance with state laws and strengthen financial controls. It is our understanding that a company representative from Kelly & Ryan delivers a weekly check to the treasurer/collector's office for the receipts the firm collected. This turnover check is the total of payments collected, minus the firm's service fee. It was not clear if Kelly & Ryan deposited these payments to their own bank account or to an account shared with Manchester-by-the-Sea.

To be compliant with state law, the deputy collector should either deposit collections into a joint bank account under the treasurer/collector's control or turn the receipts over to the treasurer/collector's office at least weekly. Massachusetts law does not allow deputy collectors to receive tax payment checks made out to them nor to endorse any checks made payable to municipalities. In addition, no deputy collector may deposit municipal funds in a personal bank account nor maintain a personal bank account in a community's name. Further, state law requires that a deputy collector must make weekly turnovers to the collector of all amounts that were collected or deposited into a community-controlled bank account (reference DOR's IGR 90-219).

We also advise the treasurer/collector to process all deputy collector fees through the standard warrant process. Financial controls are strongest when the deputy collector submits detailed invoices for its fees to be paid through the vendor warrant process with the appropriate checks by the treasurer/collector. This process creates a clear audit trail. Additionally, if a joint bank account is used, the treasurer/collector should transfer balances in that account to the main treasurer/collector's account weekly, including accrued interest.

21. Obtain and Maintain Trust Fund Documents

M.G.L. Ch. 41, §46 entitles the town treasurer to have custodial control of all trust funds and endows the office with the power to invest and expend from them. Since assuming her position in the fall of 2011, the treasurer/collector has not reviewed the establishment paperwork for all town trusts, although she receives their related bank statements.

We recommend the treasurer/collector contact the town clerk, all department heads, and, if necessary, the donors' legal representatives to determine what trust funds have been established for the town's benefit and to obtain all the related establishment documents to be maintained in her office thereafter. She should also review which trusts are still existent, which can be closed, and which may be consolidated into sub-accounts. For each account that remains active, she should also review whether it being used in a manner consistent its authorization.

22. Establish a Monthly Cash Flow Budget

We recommend the treasurer/collector establish and maintain a monthly cash flow budget. The fundamental responsibility of the position is cash management, and one of the more effective tools for achieving this is a cash flow budget. By tracking income and expense trends, the cash flow budget effectively calculates the resultant cash available to cover obligations at any point during the fiscal year.

The cash flow budget can be designed as a simple Excel spreadsheet. Historic warrants and monthly revenue reports provide source data to project spending and collection patterns. By lining these up with current-year appropriations and also overlaying debt service obligation amounts, a reasonable forecast of the town's cash flow emerges. The treasurer/collector should replace estimates with actual costs and revenues on a monthly basis over the course of the year, and also make adjustments to the forecast for unexpected circumstances as they arise. The cash flow budget thereby helps the treasurer/collector to anticipate periods of low cash balances and manage short-term investment and borrowing. A sample cash flow spreadsheet can be found on the DLS website via this link: <http://www.mass.gov/dor/local-officials/municipal-data-and-financial-management/financial-mgt-assistance/calcdforms.html>

23. Implement a Document Disposition Schedule

One concern expressed by the treasurer/collector was the amount of hard copy records left by her predecessor and determining what needs to be done with them. We recommend a records

retention and disposal program be implemented in the treasurer/collector department. The Secretary of State's guide on municipal records retention can be found at http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf. It lists the state-mandated retention and disposal schedules for all municipal departments including the treasurer, collector, accountant and assessor. The treasurer/collector staff should use this manual to identify their existing inventory of records and then determine which ones must be maintained in the office, which can be placed in storage or converted to electronic format, and which should be discarded.

Although this file reorganization is liable to be a lengthy process, it is a worthy undertaking due to its ultimate time- and space-saving benefits. After staff members ascertain the department's current inventory, we recommend that an assistant be designated to review a set of records each month to determine whether their retention time frames have expired or if they represent permanent records. Over time, the assistant can reorganize all the files that require retention and request permission from the Supervisor of Public Records at the Secretary of State's office to dispose of the rest.

Accountant

The town accountant has the legal obligation to oversee all financial activity of the municipality, and thus plays a critical role in the system of statutory checks and balances established to safeguard local assets. The overarching mission of the position is to monitor the town's revenues and expenditures. Manchester-by-the-Sea's town accountant has been in the position since June 2011. Immediately prior, he had been the town's treasurer/collector since the fall of 2010, and he also has many years of municipal finance experience working in other Massachusetts communities. The accountant is aided in his duties by a part-time assistant accountant.

Through the maintenance of independent records and adherence to well-defined procedures, the office documents the flow of money in and out of municipal accounts. Essential duties include the verification of expense and payroll warrants; maintenance of a general ledger recording all the town's financial activities; and monthly reconciliations of account records with the treasurer/collector. Among required submissions to DOR, the accountant is responsible for producing the annual Schedule A and the year-end balance sheet necessary for free cash certification. The accountant also collaborates along with the clerk on the tax recapitulation sheet prepared by the principal assessor.

The quality and frequency of the data the accountant receives from town departments critically affects the accountant's job performance, and in this regard he reported satisfactory departmental compliance. It is also vital that the accountant regularly reconcile his balance records of cash and receivables with the treasurer/collector. These parties reported that they have conducted reconciliations together on a regular monthly basis without significant difficulties.

The accountant maintains the general ledger in Munis accounting software. Munis is integrated with the assessing and treasurer/collector offices, providing transparency across financial operations, preventing the need for duplicate data entry. The accounting office also relies heavily on Excel software for the creation of reports for distribution to other departments.

Based on our discussions and material provided to DLS, Manchester-by-the-Sea's accounting department operates on a professional level, fulfills the fundamental responsibilities related to the vendor and payroll warrant processes, and complies with various internal and external reporting requirements. Our recommendations below are designed to improve financial controls, provide additional budgetary analysis, and promote interdepartmental efficiencies.

24. Restrict the Treasurer/Collector from Posting Directly to the General Ledger

The treasurer/collector posts receipts directly to the accountant's general ledger in Munis, a practice that contravenes the segregation of duty principle of sound financial management. It also conflicts with M.G.L. c. 41, §57, which places on the accountant exclusive responsibility for the maintenance of the town's official books of accounts and control over its financial records (i.e., the general and subsidiary ledgers). This practice is also a condition that was previously cited in a management letter issued by the outside auditor. Although the accountant stated that he subsequently reviews the postings, these assurances do not satisfy statutory and financial control requirements.

Therefore, we recommend that only the accountant post receipts to the general ledger. Since the Munis system can be programmed to restrict access within each module to specifically authorized users, the accountant should disable the treasurer's direct access to the general ledger. The data she enters into her Munis receipts module is viewable by the accountant, who could then compare entries with the corresponding amounts on departmental turnover sheets before actually posting amounts to the general ledger.

25. Provide Reports of Quarterly Budget Projections to the Finance Committee

We recommend that the accountant provide the finance committee with reports of quarterly budget projections. Currently, the accountant's office provides monthly expenditure reports to department heads in compliance with state law. While revenue reporting is not likewise a legal requirement, presenting that data quarterly alongside actual expenditures and budgeted appropriations would provide useful management information for the finance committee.

The data reported in the third quarter is particularly valuable, as it enables officials to begin prioritizing and managing fourth quarter spending, thereby potentially increasing end-of-year departmental turn backs. They would also be better positioned to anticipate appropriation shortfalls and plan necessary transfers to avoid deficits. Furthermore, a regular program of quarterly budget projections is viewed favorably by bond rating agencies.

26. Maintain Custody of all Contracts and Grants

After speaking with the town accountant, it appears he does not have custody of all contracts and grants that he is legally obliged to maintain. Therefore, we recommend that all departments, boards and commissions be directed to submit copies of all grants and contracts to the accountant's office in compliance with M.G.L. c. 41, §57. When reviewing payment requests, the accountant must be able to verify that the terms of the contract are met. If a bill is submitted

for payment and the contract containing information on the payment terms is not on file, the accountant should not process the payment until said contract is presented.

Board of Assessors

The board of assessors in Manchester-by-the-Sea has historically been a three-member, elected body. However, at the annual town meeting in April 2012, voters passed an article to change to an appointed composition for the board. The board of selectmen will appoint new members to the board as the terms of current, elected members expire. The primary responsibilities of the board involve reviewing and approving valuations, abatements and exemptions, and signing off on annual overlay and new growth estimates. The assessing department's day-to-day operations are overseen by a principal assessor, who was appointed to that position by the board in 1995. The department also has a full-time administrative assistant to help with office duties.

The assessors' office is responsible for valuing all real and personal property in town and generating the commitments that authorize the treasurer/collector to collect real estate taxes, betterments, and motor vehicle and boat excises. The assessors annually review property assessments to ensure they reflect full and fair cash value. DLS conducts a certification of values every three years. The principal assessor calculates annual new growth increases in the community's levy limit through June 30th of each year. Subject to the approval of the board of assessors, the principal assessor sets the annual overlay amount and makes decisions on all abatement applications and property tax exemptions. Other duties of the assessors' office include updating tax maps and deed transfer information and responding to public inquiries.

For FY2012, the parcel volume of work involved 2,100 in residential real estate, 113 in commercial/industrial, 32 in mixed use, and 7 in agricultural, forestry or recreational use. The office also committed taxes on 170 personal property accounts. The excise commitment volume was just over 4,840 for motor vehicles and approximately 700 for boats. In 2012, the office issued 32 personal exemptions and approved 9 abatement applications.

The department maintains the town's real property assessment records and personal property accounts on a Patriot Properties database. The department provides public access to the database via a computer terminal in the office and a link on the town's website. Using Patriot, the department compiles analytical data into reports and property tax commitments. To transmit the commitments to the treasurer/collector's office, the assessing department does data bridges from Patriot to Munis. The principal assessor also uses Patriot data to create the tax recapitulation sheet for submission DOR, which is necessary for approval of the town's annual tax rate.

Most valuations and inspections of residential property are conducted in-house. Consultants from Patriot Properties conduct revaluations and also inspect personal property and building permit projects. For map updates, the department employs the services of Applied Geographics, Inc.

The principal assessor has been quite active in pursuing opportunities for increasing her professional knowledge and networking with peers in other communities. This often involves spending time conferencing with professional assessing associations. Last year, she was the vice-president of the MA Assessors Association, and she will be president of that association for FY2013. This extra outside work does not appear to distract from properly overseeing the vital functions of the assessing department and seeking to make practical improvements. For instance, since the time of our initial discussions, she discontinued a redundant procedure for manually recording address change information in file folders after the data had already been entered into the Patriot database.

Overall, the assessing office fulfills its function, completes requisite tasks, and complies with the Bureau of Local Assessment's accepted practices and state regulations. Our recommendations make suggestions to ensure the continued effectiveness of operations, increase efficiencies, and secure revenues.

27. Provide the Assistant Assessor with More Training and Professional Development Opportunities

We recommend that the department ensure the administrative assistant receive adequate training and support to maintain smooth and reliable operations in the office. In particular, she should receive hands-on training in all of the duties typically reserved for the principal assessor, so that the assistant can execute them should the need arise in the principal's absence.

To gain a broader understanding of the department's mission and responsibilities, we recommend that the assistant attend meetings of the board and be periodically invited to ride along during property inspections. It is our understanding that the assistant intends to take courses through the MA Assessors Association this year, and we encourage this aim. These trainings provide useful information about current laws and financial practices, and are opportunities for assessing professionals to interact with their counterparts from other communities.

28. Use Access Database to Automate Courtesy Notices

During our review, it appeared that training in Access database might provide the assessors' office with immediate timesaving benefits. Each year, the administrative assistant generates a report from the Patriot Properties database listing the individuals associated with historical property tax exemptions. To send courtesy letters reminding them to file new annual applications, she data enters the identifying information from this report into a template letter,

and then individually prints and mails each version. We recommend instead that the office automate the process using Access database.

The Patriot report can be imported as a table into Access. Then a letter linked to the table can be designed in the Access report module, including spaces to auto-fill specific property owner data. Each year, all the reminder letters could then be generated with one click. An Access data entry form could also be created and linked to the table for updating information as needed. The harbormaster has expertise in Access, and we encourage the assessing office to seek his help in creating these Access tools. Once adopted, this new process would allow the assistant to apply the time saved to other duties.

29. Purchase a Cash Box for Assessor Fees

We recommend that the assessing department tighten financial controls by purchasing a cash box for storing fees. Although the amount of fees collected by the department tends to be small (about \$100 - \$200 per month), the present system for cash handling poses risks, both to staff and to town revenues. Currently, the assessing office keeps receipts in a jar until turning them over to the treasurer/collector. We advise that as fees are received, assessor staff should put them in a locked box located in a desk drawer. Basic cash boxes cost between \$20 and \$50. Staff should lock the drawer when funds must be retained overnight and at any other time when the office is unattended.

30. Require Digital Submission of Plans

We recommend the assessing department coordinate with the planning board to require that all plan submissions be in digital format. The assessors receive plans via the planning board, and there is sufficient authority in state law for the planning board to specify the format of proposals. Requiring that the submissions be in a digital format will save time and reduce paperwork. Therefore, we encourage discussions between the assessors and the planning board members about this issue.

Harbormaster

In April 2011, town meeting voters passed an article to authorize the establishment of Manchester-by-the-Sea's first civilian harbormaster position. In January 2012, the town administrator appointed the new harbormaster after working with the Harbor Advisory Committee on a candidate search. Other functions of the seven-member committee include analyzing proposals for revenue generation and setting harbor policies and regulations.

Until 2012, harbor operations were overseen by the town's police chief working with an assistant harbormaster. Motivation for the personnel change arose from the realization among town officials and citizens that an experienced, professional harbormaster dedicated to the position could increase the financial vitality and utility of the harbor. Currently, harbor revenue is generated from mooring fees (almost 600 accounts), mooring waitlist annual fees (about 400 people), and slip fees (roughly 100 accounts), all of which are subject to fluctuation in number.

To achieve an accurate baseline of current mooring-holders for this initial year in the new position, the harbormaster required each boat owner to meet with him personally before receiving a new, serialized mooring sticker. For the mooring waitlist (currently dating back to 1997), the harbormaster revised procedures to ensure the integrity of its chronological order and the recording of payments. The harbormaster also developed detailed procedures for the enforcement of harbor fees. These procedures are supported by Access database programs that he created to compile supporting data for the assessors' boat excise commitment and to record payments received for excise and for mooring-related fees.

The new harbormaster sees his job as involving equal parts public safety, administration, and enforcement. For his on-the-water duties, he will have the aid of an assistant harbormaster, a newly-purchased harbormaster boat, a laptop, and a hard copy of the treasurer/collector's report of compliant excise payers.

Going forward, the harbormaster plans to identify capital projects and explore grant opportunities for help in funding them. In 2011, the harbor advisory committee identified the need for maintenance dredging. An engineering report was completed, and the project is due to begin at the end of 2012 using funds set aside from boat excise receipts and grant money requested from the Seaport Advisory Council and the MA Department of Waterways. In a few years' time, after the new harbor procedures, revenue streams, and projects have been established and analyzed, the town may want to consider converting the harbor's financing into an enterprise fund that may allow it to become fully self-supporting.

31. Transfer Responsibility for Collection of Harbor-related Fees to the Treasurer/Collector

In the interest of tightening financial controls, we recommend that the harbormaster discontinue collecting all fees and excise. The harbormaster provides assistance to the assessors' office in the creation of the annual boat excise commitment. His Access database also maintains lists of accounts related to various harbor fees. To achieve greater separation of duties and minimize the harbormaster's handling of receipts, we recommend that all boat and harbor-related payments be collected by the treasurer/collector's office only.

In 2012, the harbormaster collected payments for moorings, mooring wait list positions, boat slips, and some boat excise. In future years, we suggest that he use the data tables he maintains in Access to create schedules for the three harbor fees and transfer them to the treasurer/collector's office for collection. This may necessitate an amendment to the treasurer/collector's contract with its billing vendor. If the town has any short-term transient slips, the harbormaster would still need to ensure the security of any associated fees that he may collect for them.

Acknowledgments

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DLS interviewed and/or received information from the following local officials:

Thomas Kehoe, Chair, Board of Selectmen
Mary Hardwick, Vice Chair, Board of Selectmen
Susan Thorne, Board of Selectmen
Paul Barclay, Board of Selectmen
Margaret Driscoll, Board of Selectmen
Wayne Melville, Town Administrator
George Putnam, III, Chair, Finance Committee
Charles F. Mansfield, Town Accountant
Athena Thibodeau, Assistant Town Accountant
Jennifer Yaskell, Treasurer/Collector
Cyndie Manos, Assistant Treasurer
Linda Wheelock, Clerk
Ginny Noyes Thompson, Principal Assessor
Michelle Branciforte, Administrative Assistant
Bion Pike, Harbormaster
Stephen Kwiatek, QuietTech Service
Al Ireton, ROAR