



Town of Mendon

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

October 2005



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Introduction

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the Town of Mendon.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Municipal Data Management & Technical Assistance Bureau, and the Bureau of Local Assessment. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, the finance committee, the administrative assistant, town accountant, acting treasurer/collector, assistant assessor, as well as other staff members, as available, in each office. The town's technology assistant was also contacted.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town bylaws as well as other assorted financial records. As needed, the town provided us additional internal records.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the town's budget and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and (4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the members of the board and others, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various town boards, committees and officials. A few recommendations would require special legislation or other legal action.

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Overview

The Town of Mendon, incorporated in 1667, lies just outside Interstate 495 in the Blackstone River Valley. With a population of just over 5,700 people, the town can still be characterized as rural, despite the continued encroachment of suburban-type development into affordable towns near the large transportation corridor. Although the town continues to grow at a reasonably steady rate, the new population has not yet demanded increased services or other significant governmental change.

In fact, in their letter to the Division of Local Services, the Mendon Board of Selectmen did not mention the overall impact that the increasing population has had on town finances or services. Instead, they requested that this financial management review focus on town financial offices in general and the recent transition of the treasurer/collector's office to an appointed position in particular.

The treasurer/collector's office has come under scrutiny in recent years. The current, elected office-holder was appointed to fill a vacancy in July 1997. However, in making the appointment, the selectmen chose a long-time town employee who was not necessarily qualified for the position. Almost immediately, the work of the treasurer/collector's office deteriorated. In February 2004, under pressure for failure to perform, the elected officer removed herself from town hall and went on long-term disability leave. The town appointed an acting treasurer/collector and, in January 2005, voted to have the position be appointed rather than elected. The selectmen are now receiving applications from candidates for the position.

Although the treasurer/collector's performance had been sub-par for years, the town leaders were slow to act either because they were unaware of the severity of the problem, or were unable to make a decision on the best course. The obvious solution to convert the position to an appointed one came much later. However, if the selectmen had town financial documents audited annually, the problem would have surfaced earlier, and a more prompt solution would have been possible.

Mendon has an outside audit once every three years. As a vital financial and management tool, audits serve to monitor town finances, verify liabilities and assets, as well as review how effectively those offices in charge of town finances perform. With annual audits, deficiencies such as those that occurred in the treasurer/collector's office, are quickly discovered. Implementing the practice of an annual audit now would serve as evidence to taxpayers that selectmen recognize the importance of and advocate sound financial management practices.

In addition to town finances, the selectmen are responsible for leading or coordinating all town departments, policies and infrastructure. Therefore, the selectmen commissioned the April 2002 Master Plan Study of the town building infrastructure, performed by The Maguire Group, Inc., which commented on the condition of town hall, the police and fire stations and the highway barn. Most notable in the report was the dilapidated condition of the police and fire stations. It was not until June 2005 that the board of selectmen responded by creating a Public Safety Building Committee to study the questions surrounding those two buildings.

The delay in action concerning the treasurer/collector and the public safety buildings points to a systemic problem in Mendon town government. The selectmen, a part-time policy board, have no empowered management support to help them run the day-to-day administration of Mendon town government. There is no full-time position in town hall responsible for coordinating work, establishing goals and objectives, and holding employees accountable.

Currently, the board of selectmen oversee an administrative assistant. Although the position is effective in a clerical role to the board of selectmen, it is not a fully empowered management presence.

Today, by way of comparison to Mendon, 41 of 60 Massachusetts towns with populations between 4,000 and 7,999 people have a town manager, town administrator, or town coordinator form of government. Of those 41 towns, 22 had a 1999 income per capita lower than Mendon's and 23 had a FY2005 single-family tax bill lower than Mendon's. Twenty-one of those 60 towns lie along the I-495 corridor, and 14 of those 21 have some type of centralized government administrator. To some extent, responsibilities vary from position to position, and from town to town. However, for Mendon, we would advocate a town administrator who would coordinate and lead the budget process, oversee the administration of town departments, and have line authority over staff.

Town government will not function at a high level until there is an empowered, centralized manager who coordinates town departments, especially the financial offices. Although the assessors, accountant, and treasurer/collector achieve their individual, basic responsibilities effectively and timely, there is no one to make sure that those offices work together as a team. A town administrator could coordinate their activities, hold financial team meetings, and monitor required interdepartmental activities, such as reconciliations.

In addition to coordinating activities and establishing goals, a town administrator would be the single person in charge of the day-to-day management of town hall and town hall employees. No longer would different departments have different schedules, which are usually different from town hall hours, resulting in taxpayer confusion. No longer would offices be open, but empty due to what appears to be frequent, uncoordinated staff use of the lunchroom. A town administrator could work with staff to ensure that one-person departments have a consistent office presence, as well as appropriate back-up plans for necessary functions, such as payroll.

Some of these deficiencies were noted in a November 2001 "Staffing and Utilization Study," performed by System's Consulting Group, Inc. This study was commissioned by the selectmen in order to ensure that there was reasonable staffing in town hall offices for completion of critical tasks. In response to the report, the town implemented a new financial management software package and increased hours in some departments. However, staffing gaps persist and abilities to meet job responsibilities come into question. It is with these types of issues that a town administrator can help uncover problem areas and move the process toward solutions.

Finally, a town administrator can support the board of selectmen in achieving its policy objectives by analyzing data, clarifying objectives, and prioritizing goals so that decisions can be

made in a timely fashion. It is likely that a town administrator would have encouraged the selectmen, early on, to appoint a Capital Planning Committee to oversee and plan all town capital needs, and not just those of the public safety departments. A town administrator would have advocated annual audits as a means of measuring the performance of finance officers and the ability of financial practices to protect town assets.

Conclusion – Looking forward, it is clear that the Town of Mendon would benefit from an increased level of professionalism in town hall. The first step in that direction is for the Mendon Board of Selectmen to endorse and actively pursue the creation of a town administrator position. A town administrator, in both title and ability, will help provide focus to every day government. He or she would be able to activate an effective capital improvement program, manage financial offices, and supervise town hall finances and personnel. A professional manager would understand the need for professional qualifications in town government, would create rules for town hall operations, and would develop a staffing plan for town hall that makes sense. He or she would oversee a goal-oriented performance evaluation program, and ensure that it is consistently executed. A town administrator would also provide analytical support and focus for the board of selectmen and finance committee.

Although the advantages to the board of selectmen are clear, they also need to explain the advantages of a town administrator to the town voters and town hall staff. By having an empowered town administrator in office on a day-to-day basis with the knowledge and experience to understand how town government is run, the town will, in the long run, be a more effective and efficient operation.

Overall Financial Management

A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over among various municipal departments, as well as those that tend to impact town 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 town's organizational structure on governmental operations. We examined the purchasing system and personnel administration. We considered the roles of and relationships among individuals together with the level of communication and cooperation that exists between offices. Finally, we reviewed compliance with state law relating to finance issues, adherence to form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

A three-member, part-time board of selectmen runs Mendon town government. They appoint an administrative assistant, selectmen's secretary and town accountant, among others. An independently elected board of assessors appoints their assistant assessor, and the combined treasurer/collector position was converted from an elected position to one that is appointed by the selectmen in January 2005. There is a town hall union; in the financial offices, the assistant treasurer/collector, accountant, and assistant assessor are members. The finance committee, a seven-member board appointed by the selectmen, spearheads the budget process with the help of the administrative assistant and the accountant. The budget process seems to run smoothly, although Mendon, like all municipalities, is facing an era of tight finances.

There is no one in town hall with the authority or time to actively manage all financial offices and boards involved in departmental operations or budget decisions. As a result, the finance committee has been expected to take on a large role in dictating annual expenditures. Outside the budget process, no one in town hall is officially managing the town's fiscal affairs or enforcing the statutory duties of the financial officers. Until the transition to an appointed treasurer/collector, that office faced a crisis in performance that has taken over a year to rectify. Although the selectmen have eyes and ears in town hall through their administrative assistant, most department heads run their offices with the knowledge that no one is demanding accountability or monitoring performance on a daily basis. This has not prevented the offices from functioning well, but each office is run according to the rules of each department head, with no active leadership guiding the overall mission of town government.

Recent attention has been on the police and fire departments because of a shake-up in department personnel and leadership. Our concern lies more with the fact that, despite an independent consulting report, dated 2002, and warnings from state authorities, no action was taken to address police station deficiencies until the selectmen appointed a public safety building commission in June. In the meantime, significant monies are spent on police overtime in order to house prisoners in neighboring towns. Additionally, the fire station is out of date, causing further expenditures to rent space for vehicles elsewhere. Such high-profile problems, and delayed action,

speak to the fact that selectmen have not had the resources and analytical support available to them in order to provide consistent, coherent leadership in town. This speaks to a lack of centralized management, causing a breakdown in the way town government functions at its highest level.

Conclusion – Mendon, just shy of 6,000 citizens, has reached the point in its evolution where a part-time policy board can no longer run the day-to-day administrative activities. In fiscal 2005, single-family taxpayers in Mendon paid almost \$600 more than the Commonwealth average, and for that price they expect good schools through the regionalized system with Upton, and solid public services. However, without a full-time administrator actively monitoring town hall personnel and finances, while providing analytical support to the selectmen, taxpayers are not receiving full value for their money.

The board of selectmen needs to overcome its current differences of opinion in order to present a united leadership front to both taxpayers and town hall personnel. They must come to an agreement on how they want town hall to function, and then work hard in order to gather the support necessary to implement their new policy. With effective leadership, all of the employees and procedures will, in the natural course, follow suit.

Recommendation 1: Centralize Authority in a Town Administrator

We recommend changes that firmly establish a town administrator as the central authority figure in town hall. The present administrative assistant position is effectively a clerical position that reports to the board of selectmen and otherwise serves as a liaison to other departments.

Because the administrative assistant position is soon to be vacant, the town has a job description circulating in all of the appropriate publications. However, the current description, with the title administrative assistant, is not likely to attract the kind of candidate required by Mendon. By changing the title of the position, the board of selectmen will be formalizing the expectations of a town administrator. Inside town hall, an empowered town administrator with the appropriate skill set will be in a better position to garner the respect of town hall staff.

A town administrator would have the ability to execute town goals, take initiatives to improve operations, and establish equal accountability over all those responsible for the day-to-day administration of town business. With these and other responsibilities, the town administrator should have a central role, on a substantive level, in the development of budget guidelines and the annual budget process. He or she should lead a financial management team and orchestrate analyses of financial data, coordinate long-range revenue and expenditure forecasting, and oversee fiscal procedures.

Mendon should also consolidate appointing authority over all department managers in a way that clearly establishes a line of accountability that converges in the town administrator. Under this structure, part-time boards and commissions can continue to provide expert guidance, make customary decisions, and formulate policy. However, the responsibility to oversee town government will be more squarely placed in the hands of a full-time professional hired by the selectmen for that purpose. In the short-term, a bylaw should be approved creating the position and

describing its specific duties. Ultimately, the town administrator's role should be codified in a charter.

Further, the town administrator should consider the following fairly soon upon appointment: *Town Hall Personnel Management*. Currently, all of the staff in town hall is overseen by a variety of part-time policy boards that spend little time at all in town hall during regular office hours, while other staff are independently elected and therefore are only accountable to town voters. The Park Commission's Administrative Clerk, the Water Commission's Administrative Clerk who also holds the position as the Board of Health's Administrative Assistant, the Planning Board's Administrative Assistant, the Board of Assessors' Assistant Assessor, the Town Clerk, and the Highway Surveyor are all outside of the authority of the Board of Selectmen. Even those staff members who are under the selectmen are not monitored on a daily basis. As a result, although work is completed timely, town hall staff feel comfortable to be away from their offices for extended blocks of time, and run their offices independently of an overall town hall management plan.

Therefore, we would expect the town administrator to work with existing personnel in order to create a more professional environment in town hall. Of paramount importance to town government is providing excellent customer service to taxpayers. Therefore, the town administrator should examine the public interaction with town hall departments, and work to overcome any shortfalls. Included in the survey should be the difference between town hall hours and various departmental hours, the rules governing and the location of the lunchroom, and deficiencies in staffing or office coverage.

Town Charter. Cities and towns create stability; establish relationships among officials, boards and commissions; and more clearly define financial procedures through charters. The public discussion generated by the work of charter commissions or during the development of a home rule petition brings critical local issues to light. Through the adoption of a charter, rather than the use of bylaws, the town can avoid arbitrary or premature reversals or changes, and can firmly establish a well-formed, carefully thought-out government structure. We recommend that Mendon work toward the adoption of a charter.

The townspeople can elect a charter commission as the start of a two-year process, or produce a home rule petition for submission to the State Legislature. Both procedures are outlined in MGL Ch 43B and would involve a process for community input into the development of charter language. In either event, a town administrator could research each path to charter creation and also provide a framework of charter issues. A separate study committee can be established to formulate and present a new charter to town meeting and the voters.

Recommendation 2: Conduct an Annual Audit

We recommend that Mendon fund and conduct an annual audit overseen by the town administrator. Because Mendon is in a regionalized school system, it does not receive enough federal funding to require an annual audit under the federal Single Audit Act. Therefore, it chooses

to have an outside audit only once every three years, most recently for fiscal year 2003. When a community conducts audits every few years, it requires more work of the audit firm because reliance cannot be placed on the accuracy of the prior year's ending balances, unless the previous year was formally audited. Consequently, it takes more time to verify beginning balances, and this additional work causes delays and increased auditor's fees.

The objective of an audit is to provide users of financial reports with independent assurance that a community's financial statements are reliable, accurate and complete. It is also an extremely valuable management tool for evaluating the fiscal performance of a community. The DLS Bureau of Accounts recommends annual audits to ensure accurate reporting. Please review the Best Practices on the subject, found in the Technical Assistance section of the DLS website (www.dls.state.ma.us) for more information.

Recommendation 3: Avoid Numerous Town Meetings

We recommend that the town reduce the number of Town Meetings throughout the year, and work to limit the number of finance related articles on special Town Meeting warrants. Over the last three years, Mendon has held on average six town meetings throughout the year. Every single meeting, except for one concerning the purchase of a large piece of property, contained articles concerning budget appropriations or transfers. Annual Town Meeting always occurs early in May, flanked by special Town Meetings in March or April, again in June, September, and one or two in the winter.

We suggest that the town administrator, board of selectmen and finance committee agree on both the annual budget and any current year transfers by May. Questions and budget articles related to state-aid numbers or other possible unknowns should be resolved by the following September. Instrumental in reaching this goal is an emphasis on the annual budget process and a clear message to department heads in the spring that money (i.e., free cash) will not be available later in the fiscal year to supplement appropriations. This position can be bolstered by a policy to restrict, or otherwise to reduce, the number of spending articles on special Town Meeting warrants and by a policy not to use newly certified free cash for current year expenditures. There are always exceptions, but when moderate and legitimate unanticipated costs arise, many towns turn to the Finance Committee Reserve as a funding source. With an overall goal to create budget certainty earlier in the fiscal year, the pressure to deplete free cash and other reserves can be avoided.

We suggest the following schedule for Town Meetings in Mendon: in early May on the same night as Annual Town Meeting, there should be a Special Town Meeting in order to clean up current year transfers and expenditures, which is immediately followed by Annual Town Meeting. Then, in September, there should be one more Special Town Meeting to finalize the budget, because at that point final state aid numbers have been released. The cycle would begin again the following May.

Recommendation 4: Hire a Treasurer/Collector

We recommend that the selectmen hire an interim treasurer/collector, to be confirmed as the permanent appointment upon the termination of the elected office-holder's term. Since February 2004, the treasurer/collector's office has been run by the former assistant treasurer/collector. Although she has done a good job of increasing office performance levels, the position requires a permanent replacement. In the absence of a town administrator, a screening committee of five-to-seven active town residents, who have knowledge of municipal finance or experience in hiring, should submit three-to-five candidates to the selectmen. The selectmen would then interview the finalists and appoint the most qualified candidate. A town administrator, on the other hand, would perform all initial interviews, recommend a candidate to the selectmen, and then, after conferring with the selectmen, appoint the best choice. We encourage the screening committee and the selectmen to recognize that the acting treasurer/collector is accomplished in and prefers collections, and the new department head should have skills that compliment those of the existing staff.

Recommendation 5: Prepare for the Transition to Quarterly Collections

We recommend that the office prepare for the additional work associated with the switch from semi-annual property tax collections to quarterly property tax collections. We applaud the recent decision of Town Meeting to convert from semi-annual to quarterly property tax collections effective for Fiscal Year 2007. This shift has implications in both the treasurer's duties as well as those of the collector. In the current semi-annual system, the tax rate must be set by September 30, which has occurred in four out of the last six years, in order to send out the first set of property tax bills by October 1, due on November 1. The next set of bills are printed and sent by April 1, with a May 1 due date. Because of the lag time between the two due dates, Mendon has, in the past, been forced to take out revenue anticipation notes to cover cash flow needs, paying, on average for the last three years, \$18,454 in total interest.

In the quarterly system, two estimated bills, based on the previous year's tax bill, are sent out on July 1, due on August 1 and November 1. The new tax rate does not have to be set until December 31, in time to send out the next two actual bills on January 1, due February 1 and May 1. Hence the collector's office must now prepare for the change in timing as well as the increased collections. Also, interest on overdue tax bills will now be calculated starting on the payment due date, not on the billing date. See IGR 05-204 on Quarterly Tax Billing for more information (www.dls.state.ma.us).

On the treasurer's side, cash flow will increase because taxes will be collected four times per year, not just twice. Therefore, the treasurer must now prepare for the increased cash investments in order to maximize interest earned. In addition, revenue anticipation notes will no longer be necessary, so the town will save on interest formerly paid.

Recommendation 6: Create a Consolidated Department of Public Works

We recommend that the town consider ways to consolidate four existing functional areas into a Department of Public Works (DPW) – MGL Ch. 41 §69C-F. Currently, the town has an elected Water Commission and Park Commission, each of which appoints an administrative clerk for their respective departments. The Highway Surveyor and the Tree Warden are independently elected. Responsibility for town building and grounds maintenance tends to fall on individual departments, with the highway department filling in the gaps.

As Mendon continues to grow, the water and highway program will increase in size. The town could find efficiencies in staffing, the use of equipment, and expenditures if a single DPW were to oversee the duties of all the above functional areas. We recommend that the Board of Selectmen either act as or appoint a DPW Board. Although not required by statute, the town would further benefit if the department head were a registered engineer.

Recommendation 7: Change the Capital Planning Committee Bylaw

We recommend that the town vote on an updated Capital Planning Committee (CPC) bylaw that creates a structured commitment to a capital improvement program. Currently, Chapter III, Section 8 of Mendon's bylaws guides the town's capital planning. It only specifies that the board of selectmen appoint a five-member committee annually, and one member must be from the finance committee. Both on paper and in practice, this is not an effective committee.

As is typical in most communities, tight fiscal conditions often divert funding away from capital programs and in favor of other purposes. Although restricted borrowing, or direct capital outlays, may only allow a minimal program, the review and prioritizing of town needs should be on going. Therefore we suggest that the new CPC have at least five members, appointed to three-year, staggered terms in order to ensure longevity. The charge of the committee should be to look at all capital needs above a specific dollar threshold with a useful life of more than three years, and create a five-to-ten year plan for the implementation and funding of the capital needs. Additionally, there should be a stipulated funding mechanism for the committee. For example, the town might work incrementally up to committing five percent (5%) of the annual budget or an amount equal to the total annual depreciation of fixed assets. For more information, the town should consult Developing a Capital Improvements Program: A Manual for Massachusetts Communities, found at www.dls.state.ma.us.

Recommendation 8: Adopt a Budget Process Bylaw

We recommend that the town administrator take a lead role in the initial budget development. The town budget is the leading policy document for the Board of Selectmen. Although the current budget process seems to work well for Mendon, we suggest that the selectmen, through their town administrator, take a greater role in its formulation. Therefore, the following

process would secure a sound budget policy that we recommend be incorporated into the town's bylaws:

- The town administrator should initiate the budget process by providing revenue projections to a joint meeting of the board of selectmen, finance and regional school committees. These estimates will serve as a basis for budget guidelines throughout the budget setting process and should be updated as new information becomes available.
- The town administrator should develop a balanced budget proposal. The appropriation requests from town departments should either be entered into the budget software by the departments or the accountant. The town administrator should then meet with department heads in order to discuss their needs. After updating the revenue estimates and making any changes to department requests, the town administrator would prepare a balanced budget proposal for selectmen approval, which would then be forwarded to the finance committee.
- The finance committee now controls the budget and can amend the town administrator's proposal in any way. They should review revenue estimates and meet with department heads, while considering the town finances objectively.
- The overall budget calendar should allow finalization of the budget in time to include appropriation detail in the town meeting warrant.
- The town should formalize its budget calendar to reflect changes in the process. Beginning with the annual town meeting date in early May and tracking backwards, the town can establish a budget schedule similar to the example below:

November 15 Town administrator (TA) presents revenue projections.

December 1 TA distributes budget guidelines and requests to departments.

January 1 Department deadline to submit appropriation request.

February 15 TA completes hearings and creates draft budget.

March 1 Selectmen approve budget and submit to finance committee.

April 15 Finance committee completes hearings and creates final budget; at this point, revenue projections are locked; warrant goes to print and is distributed.

May Town meeting votes on finance committee budget recommendations.

Recommendation 9: Adopt Formal Debt and Reserve Policies

We recommend that the selectmen, in consultation with the finance committee and town administrator, formalize a reserve policy that establishes guidelines for funding and maintaining reserves, as well as a debt policy that guides future borrowing decisions and works to improve the town's credit rating. Mendon, in recent years, has had minimal free cash (between zero and three percent of the annual budget) and a small stabilization fund. To help re-establish fund balances and ensure sound practices, town officials need to implement a reserve policy that, among other things,

- 1) Identifies target levels for the stabilization fund, free cash and other reserves in a total dollar amount or as a percentage of the total annual budget;

- 2) Directs the use of excess free cash, that is, the amount that exceeds the free cash target level, as a funding source for stabilization or one-time capital projects;
- 3) Directs the use of unexpected, non-recurring revenue sources;
- 4) Restricts the use of the stabilization fund to non-recurring expenditures subject to a certain dollar threshold. Set similar guidelines on the use of free cash, with the expectation that free cash should not be depleted upon certification;
- 5) Establishes guidelines for the use of surplus revenue which is available after reserves are funded, i.e., restrict its use to non-recurring expenditures, to tax levy relief, etc.

An effective debt policy is vitally important for any town that issues debt, and should provide guidelines that, among other factors:

- Specify purposes for which long- and short-term borrowing will be permitted;
- Set goals for the average maturity (i.e., less than ten years) of long-term debt;
- Set limits on non-enterprise fund debt service payments as a percent of operating revenues;
- Dedicate anticipated special assessment or betterment revenues to support long-term debt;
- Dedicate revenue from identifiable, recurring sources to capital projects.

Mendon has never gone to the public markets for borrowing and has therefore never been examined by the rating agencies (Moody's, Standard & Poor's, Fitch Investment Services). However, as debt needs become larger as the town grows, Mendon should know what the agencies consider when establishing a town's credit rating. The factors under the town's control that may generate a good bond rating include:

- Revenue forecasting and a community's ability to anticipate future events;
- Interim financial reporting and monitoring;
- Contingency planning policies (stabilization and other reserves);
- Policies on the use of non-recurring revenues;
- Debt management policies;
- Capital planning.

Computers and Technology

A survey of town finance-related offices revealed that each is, for the most part, sufficiently equipped with computers for staff. All computers in town hall run on a version of Windows, are password protected, and have access to Microsoft Office software. The accountant and treasurer/collector use software provided by KVS, and are reasonably happy with the general ledger, payroll, accounts payable, treasurer's receipts and collections packages. KVS has been live in town hall since the beginning of fiscal year 2003. The assessors' office utilizes software provided by Paul S. Kapinos and Associates.

The two main software providers, KVS and Paul Kapinos, provide service to the offices that use them. For hardware, network, and all other software support for all town departments – town hall, police, fire, senior center and library – the town is contracted with a local technology firm, Data Frontiers. The administrative assistant to the selectmen coordinates this contract for Mendon town hall. The contract has been in place since 1996, and costs the town \$600 per month.

The technology consultant maintains a hardware inventory, and although there is no hardware replacement program, he replaces a few computers per year as they fail. Two servers, one for KVS and one for the assessing office, are sufficient for town needs. The town has Internet and email access through Data Frontiers, and is working on a plan for a town website.

Conclusion – Technology in Mendon town hall is reasonably coordinated and advanced for a town of its size. Therefore, suggestions are few and meant to maintain current operations while creating an environment of forward thinking, coordinated use of technological advances.

Recommendation 10: Establish a Technology Committee

We recommend that the board of selectmen establish a technology committee. A technology committee can be a meaningful and objective contributor of information, analysis and insight for decision-makers as they grapple with computer and software issues. Its members can help produce a periodic report of the town's technology status. It would serve as a useful tool to evaluate the performance of hardware and software, to identify and prioritize the need for upgrades, and to recommend the adoption of new technologies. The recommendations made or accepted from the report would then be incorporated into a long-term capital-planning program.

A technology committee might comprise three-to-five members who have appropriate knowledge or work experience. The town might recruit members from the general voting population, but the committee could also be a mix of residents and town officials. Absent other bylaw provisions, the selectmen would appoint the committee members.

Recommendation 11: Create a Training Program for Town Hall Staff

We recommend that the administrative assistant set up a training program for town hall staff. Town hall staff is comprised of people at various levels of computer capability. The administrative assistant in coordination with the technology committee should take the initiative to identify computer proficiency levels among staff, and then develop a program to enhance hardware and software knowledge in town hall. Short-term goals might explore how technology can reduce paper records and redundancies through interviews with various office staff. In the long run, the town might look to develop an on-going training program to encourage computer usage, maintain proficiency among users, and more effectively familiarize people with the software they use in order to create efficiencies in time and money.

Town Treasurer/Tax Collector

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. If a town accepts MGL Ch 41 §38A, the position becomes a town collector, which then has the authority to collect all monies due to the community. In either case, collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Refund reports should be run periodically and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days.

The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds to maximize interest income and meet cash flow needs. The office also manages town debt. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, internally, and then externally with the accountant on a regular basis. Finally, the treasurer maintains tax title accounts, organizes land of low value auctions, and forecloses on delinquent accounts.

Mendon combined the functions of their treasurer and collector's offices in the early 1980s, and then, as a direct result of the elected office holder's failure to perform, voted to make the position appointed in January 2005. The position will officially shift from elected to appointed at the end of the current office-holder's term, in May 2006. However, she has been absent from the office on long-term disability leave since February 2004, and her assistant treasurer/collector has agreed to act in the position until the board of selectmen hires a new, permanent replacement.

The acting treasurer/collector has been in the office since 1994, primarily working on collections until she took on management responsibilities. She is budgeted for 37.5 hours per week, Monday-Thursday, but often finds herself staying for 40-plus hours. The acting assistant treasurer/collector has been in the office for three years, and works 30 hours per week. An additional temporary position was lost at the end of fiscal 2005, but there is a part-time collections clerk who works 18 hours per week over three days.

The office is well served by technology. Each employee has a computer at her desk, and there is an additional console at the window for direct posting to the collections and treasurer's receipts software, provided by KVS since fiscal 2003. The town contracts with KVS for software service, which receives high marks, and has a separate agreement with an off-site computer consultant for hardware and network assistance. A deputy collector is contracted for printing,

stuffing and mailing of real estate, personal property and motor vehicle excise bills, in addition to the more typical services concerning the pursuit of delinquent motor vehicle excise accounts. The office is also looking at various software options for the water and trash collections.

The office collects taxes for approximately 2,600 real estate parcels and 190 personal property accounts on a semi-annual basis. Motor vehicle excise bills total about 7,500 annually in nine-to-eleven commitments. The office also collects a small number of water, trash and farm and animal excise bills. The office recently caught up with all past due accounts and turned them over to tax title. Forty-eight accounts in tax title total approximately \$250,000.

Town treasurer duties, until the acting treasurer/collector took control of the office, were, for the most part, not completed. Since February 2004, the office has kept a cashbook, reconciled cash with the accountant, monitored accounts appropriately and invested town funds. As mentioned, the office has caught up on tax titles and is in the process of foreclosing or scheduling auctions. The town has no long-term debt, but its recent purchase of a large piece of property will require permanent bonding within the next few years. Therefore, a debt schedule and adequate knowledge of the public markets will become an emphasis for the office.

Conclusion – Although the collections side of the Mendon Treasurer/Collector's office has been adequately administered, the treasurer's duties had faltered significantly by the time the current acting treasurer/collector took control of the office. With the help of the outside auditor and others, money is deposited daily, paperwork is filed, accounts are reconciled and cash management is under control. The office is now functioning at a level where a new, permanent department head would be able to move in and take control of operations with reasonable ease.

We have already recommended that the town begin an immediate search for a permanent department head. Although the acting treasurer/collector is not applying for the position, she should be applauded for her role in turning the office around. She has also begun to implement simplified receivable controls and a cashbook, and continues to make improvements in the functioning of the office. Therefore, the following recommendations are designed to help further operational upgrades as the town begins the search for a new department head.

Recommendation 12: Adopt a Town Collector Bylaw (MGL Ch 41 §38A)

We recommend that the town adopt MGL Ch 41 §38A and create a bylaw converting the office of tax collector to that of a town collector. As a tax collector, the office possesses the authority to collect only real and personal property taxes, excises, betterments, and certain other charges added to and committed as taxes. In order to receive resident payments for any other monies owed to the town, the town must take specific action to designate its collector a town collector through local acceptance of MGL Ch 41 §38A. Currently, the collector's office receives payment for water and trash in addition to taxes and excises, but there is no apparent bylaw language creating a town collector or any other record of the town's adoption of Ch 41 §38A. Therefore, we suggest the selectmen place local acceptance of the statute on the next regular or special town meeting warrant.

Recommendation 13: Commit to Monthly Reconciliations with the Accountant

We recommend that the treasurer/collector commit to a monthly meeting with the accountant to reconcile cash and receivables. Normally, as part of the reconciliation process, the accountant would provide the treasurer/collector with monthly reports of receivables and cash balances as reflected in the general ledger. The treasurer/collector then reconciles the receivable report against her source documents and the cash balances against her records, and informs the accountant of any discrepancies. Although the cash is up-to-date, this procedure has not been happening on a monthly basis for receivables.

Reconciliations reflect an important check and balance and are a fundamental responsibility for each office. Therefore, we strongly encourage the treasurer/collector (with her receivable control, cashbook, and source documents) to sit down with the accountant (with her general ledger and source documents) on a predetermined day each month in order to work through the reconciliation together. This way, if errors are discovered, they can easily be rectified.

Recommendation 14: Discontinue Posting Payroll Withholdings as Receipts

We recommend that the treasurer discontinue posting payroll withholdings as receipts. In addition to salary amounts due to individual employees, the payroll warrant identifies the gross amount for employees' federal tax, state tax as well as for other withholding categories. With approval of the payroll warrant by the selectmen, the treasurer cuts salary checks for employees, but holds withholding payments until the amounts are approved for release through a vendor warrant. To fund the withholdings expenditures on the vendor warrant, the treasurer makes a bookkeeping entry that records the withholding amounts as receipts. This unnecessary procedure overstates receipts and expenditures.

With approval of the payroll warrant where totals are listed for withholding categories, the treasurer is already authorized to dispense withholding amounts. Payments due on a weekly basis can be distributed. Amounts due at the end of the month can be transferred to and accumulate in an agency account until ready to be paid. At that time the treasurer needs no further authorization to issue a check. Because the KVS software has already made the correct debit and credit entries, no further bookkeeping adjustments are necessary.

Recommendation 15: Create and Maintain a Debt and Debt Service Schedule

We recommend that the treasurer create and maintain a debt record and debt service schedule on Excel spreadsheets. The treasurer has statutory obligations to report annually to the town accountant and periodically to the State Bureau of Accounts (BOA) information relative to the issuance and payment of debt. Therefore, she needs to create and maintain her own schedules in accordance with the following guidelines:

Debt Service/Long-Term. A projection of principle and interest payments, carried to the longest term outstanding, should be maintained and updated annually. This chart should identify

the date of issue, the purpose of the bonds and whether or not payments are self-supporting (covered by rates or by taxes). As the chart extends left-to-right into the future, it would display overall principle and interest obligations by year, and when debt service begins or ends for individual projects.

Debt Service/Monthly. The treasurer should maintain a similar chart of debt service obligations on a per month basis for the current fiscal year. Used in tandem with monthly revenue and expenditure estimates, this information is important to forecasting the cash flow needs of the town through the course of the year.

Debt Schedule (also referred to as the “Statement of Indebtedness”). The debt schedule would be a list of long-term debt by project inside the debt limit, the same for outside the limit and of short-term debt (by type and project). For each project listed, the chart would show the amount outstanding as of July 1, additional amounts issued during the fiscal year, amounts retired, outstanding balance as of June 30, and the total interest paid during the fiscal year. A final chart entitled “Authorized and Unissued Debt” would include the date of the authorizing vote, the town meeting article number, purpose, amount authorized, amounts issued or retired, and the remaining unissued amount as of June 30.

Although the town clerk has a statutory obligation to certify to the assessors and the accountant any town meeting order or vote appropriating money (MGL Ch 41 §15A), the treasurer should take the initiative to meet with the clerk as well. She should also communicate with department heads to learn when capital projects are likely to begin (i.e., to learn when she will need to provide financing). She should review her file of notes outstanding and look to the town’s most recent prospectus for additional information. Finally, the treasurer should reconcile her debt records with the accountant to ensure that their debt statements agree.

Accountant

The accountant has a legal obligation to record and verify all financial activity of a 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 maintains a general ledger where receipts, expenditures and all other town financial activity is recorded; prepares warrants; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report; and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also keeps all town contracts on file, tracks revenue, and is typically involved in the annual budget process.

Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end balance sheet (for free cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The current Mendon accountant has been on the job since 1992. For the three years previous to that, she worked as the administrative assistant to the board of selectmen. She works 35 hours per week, Monday through Thursday.

In fiscal 2003, the accountant implemented KVS as her new software package. It includes a general ledger with a budget module, payroll, attendance, accounts payable, treasurer's receipts, and collections. She chose not to get the purchase order system because departments do not overspend their budgets, and she did not want to inject another layer of paperwork into the day-to-day functions of town departments. KVS is kept on a server located in the administrative assistant's office and the support contract is adequate for town needs.

Conclusion – Longevity in office and town hall gives the accountant a valuable understanding of Mendon and how it operates. As a result, the accountant's office functions well and fulfills fundamental responsibilities relative to the general ledger and the payroll and vendor warrant process. She has already implemented a DOR suggestion concerning confidentiality and the payroll warrant, and additional recommendations are few and offered as a means to enhance the checks and balances that are currently in place.

Recommendation 16: Schedule Reconciliations with the Treasurer/Collector

We recommend that the accountant schedule a day each month with the treasurer/collector for reconciliations of cash and receivables. The initiative to reconcile the town's cash and receivables must originate with the accountant. Individual, internal reconciliations by the treasurer/collector do not satisfy DOR requirements until they are measured against the accountant's general ledger and adjusted for any necessary variances. Although cash had been

reconciled regularly through June 30, 2005, receivables are reconciled once yearly. Therefore, the accountant should take the time to agree on a specific day each month when she and the treasurer/collector will meet to complete reconciliations. Each should complete an internal reconciliation in advance of the monthly meetings.

We further recommend that the accountant reconcile debt with the collector/treasurer annually. Under MGL Ch 41 §57, the accountant must keep a detailed record of all town debt. The accountant needs to maintain her own debt record detailing the purpose and date of borrowing, the rate of interest and provisions for payment. Additional information might include the amount of the original authorization and maturity date of the debt issued. The accountant, treasurer/collector, and town clerk should confer after each town meeting to verify action taken relative to debt authorizations. At least once during the fiscal year, and more often if the town continues to have more than four town meetings annually, the accountant and treasurer/collector should meet and reconcile debt activity so that, at year's end, all reports of that activity match and accurately reflect the town's debt position.

Recommendation 17: Create a Uniform Timesheet

We recommend that the accountant work with the treasurer/collector to develop an electronic timesheet for use by all town departments. Presently employee timesheets are submitted to the accountant from department heads in a variety of formats. We recommend instead that a uniform format, flexible enough to accommodate all departments, be developed as an Excel spreadsheet or, if possible, on the KVS payroll module. Once completed, the form can be emailed, faxed or delivered to the accountant. To address the requirement for department head signatures on timesheets, we refer the town to the Massachusetts Uniform Electronic Transactions Act, which allows for the electronic transfer of authorizing signatures in municipalities.

Assessors

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect real estate tax and motor vehicle and boat excise payments.

To ensure that residents are taxed equitably and accurately, the 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 set the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to conduct an annual property value adjustment analysis and to prepare for State certification of property values every three years.

The volume of work in the Mendon assessing department involves approximately 2,560 real estate parcels, of which 200 are commercial/industrial and 500 are vacant land. There are an additional 190 personal property accounts. All are billed on a semi-annual basis. Over the course of one year, the office issues nine-to-eleven motor vehicle commitments totaling about 7,500 accounts. The town issues about 260 building permits per year, of which forty-to-sixty are for new residential construction. About 160 parcels are sold per year. Over the past three years, the office has granted an average of 63 personal exemptions and received 17 abatement applications with 12 granted. All properties with building permits are inspected starting on January 1, and the town is on a Bureau of Local Assessment (BLA) approved ten-year cyclical inspection program. There is one case pending before the Appellate Tax Board; the assistant assessor will represent the town.

The Mendon assessing department is under the guidance of a three-member, part-time board elected to three-year, staggered terms. The Board meets biweekly to oversee the assistant assessor and the hired consultant. The assistant assessor has been in Mendon town hall for 14 years, 2 as the administrative assistant to the selectmen, and 12 as the assistant assessor (3 of which were also spent as a selectman). She works forty hours per week, Monday-Thursday. She enters deeds, administers the maintenance of maps, answers questions from taxpayers, consults with BLA, works with the motor vehicle commitments, and enters data collected by herself, the board, and the consultant, Paul S. Kapinos and Associates. There is no trained back up for the office.

The three members of the board and the assistant assessor perform all building permit inspections and only "red-flag" sales properties. The consultant is in charge of the ten-year, cyclical measure and list, and helps the assistant with interim year adjustments and the triennial revaluation (next due in FY2008). Sales questionnaires are sent out selectively, and income and expense forms are sent out once every three years, generating a fair response.

The office utilizes software supplied by Kapinos to maintain property records, and has access to KVS software, used by the accountant and treasurer/collector, to make changes to names

and addresses. Hardware includes a stand-alone server and two computers. One is a public access terminal and the other is the assistant assessor's. Kapinos has excellent support services, and the office continues to be pleased with their relationship.

Conclusion – For the most part, the assessors' office in Mendon functions well. BLA has confidence in their data, and has no major concerns about operations. Our few recommendations for the office focus on the inspection schedule and staffing, of which the office is already aware.

Recommendation 18: Inspect All Sales Properties

We recommend that the assessing office include sales properties in their inspection schedule. Whether the sales inspections are performed by the board of assessors, the assistant assessor, or the consulting company, they need to be done. Currently, the office sends out selective sales questionnaires and only inspects those properties where the terms of the transaction seem incompatible with current data. However, sales properties are critical to the determination of value for all the parcels in town, so if there are errors in the data, the mistakes will be widespread. Therefore, to enhance the reliability of the data, the office should send out questionnaires and inspect all sales properties.

Recommendation 19: Send out Income and Expense Statement Annually

We recommend that the assessing office mail income and expense surveys annually. Income and expense information returned by commercial and industrial property owners is essential data for annual property valuation adjustments and in the triennial revaluation years. To help increase the survey response rate from landlords and owner-occupants, we suggest that the assessors mail surveys every year, rather than every three years. In the current era of rising residential property values and relatively flat commercial and industrial values, it is vital that the town have current information on the value of business property.

Recommendation 20: Plan Long-Term Office Structure

We recommend that the town determine and plan for the future structure of the office. As Mendon grows, continues to change, and attracts more people looking for reasonable housing prices and a good school system, demands on the assessing department will increase. The current office structure is not likely to keep pace. Today, only one person – the assistant assessor – answers the telephone, helps customers at the desk, inputs data, and generally keeps the office functioning. Whenever she is out for vacation, sick time or continued training, the office closes, or a volunteer is brought in from the senior center. Moving forward, the town needs to consider staffing, levels of professionalism, as well as the allocation of assessing office responsibilities between in-house personnel and outside contractors. Although the assistant assessor is well qualified for the job, decision makers must determine what office structure can best utilize her skills while ensuring the completion of necessary tasks, including achieving a consistent, full-time presence in the office.

Acknowledgments

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