



*Town of North Andover*

## ***Financial Management Review***

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*Municipal Data Management and Technical Assistance Bureau*

November 2004





## ***Introduction***

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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 North Andover.

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, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen and the finance committee, the town manager, assistant town manager/human resources director, town accountant, director of finance and administration, assistant treasurer/collector, chief assessor, as well as other staff members, as available, in each office. Various consultants to the town were also contacted.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the Charter and town by-laws as well as other assorted financial records. In addition, internal records and other materials were provided to us by the town, including the IT Infrastructure Report (February 2004) and the Report of the North Andover Financial Task Force (May 2002).

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, warrant 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.

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## ***Executive Summary***

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North Andover is a Merrimack Valley town of about 27,800 people with good proximity to major highways and regional employment centers. The overall appeal of the community was highlighted by its recent selection by Money Magazine, as the fifth most desirable place to live in the eastern United States from among 271 cities and towns with under 100,000 people.

Despite the national recognition, however, local concerns mirror those of most Massachusetts towns that are struggling with increasing costs in the face of stagnant revenues. Blame is often directed toward the state which, in efforts to balance its own budget, has found it necessary to reduce state aid to cities and towns as part of wide-ranging cuts. In some respects, North Andover is less impacted than other towns, because it is less dependent on state aid. On average over the last ten years, only 12.6 percent of the town's annual revenue has been attributable to state aid compared to an average of 26.3 percent among all cities and towns.

This is rarely viewed as good news by local officials, but reflects how state aid distribution levels are primarily a function of community wealth. The town's per capita income is 132 percent of the state-wide average. The average assessed value of a single family home rose 75 percent between FY00 and FY04 and at \$437,771 ranks 50<sup>th</sup> in the state. The average tax bill for a single family home in FY04 was \$5,148, which ranked 39<sup>th</sup> among all Massachusetts communities and represented a 38 percent increase since FY00. The average increase among the 38 higher ranked communities was 32 percent over the same period, while the average state-wide increase was 27 percent. The increase in the average assessed value of a single family home in North Andover outpaced values in the 38 higher ranked communities by climbing 75 percent compared to 59 percent over ten years.

These income and property value indicators work in tandem with a high ratio of residential-to-commercial/industrial parcels in North Andover to amplify fiscal stress felt, in particular, by homeowners. In 1998, commercial, industrial and personal property accounted for 21.1 percent of the taxes raised. By FY04, even with tax classification, the tax contribution of commercial/industrial properties declined to 15.3 percent of the total levy. In short, because residential growth and property values have risen faster and more dramatically than commercial/industrial values, the burden of financing local government programs and services is placed, at least for the immediate future, squarely on the people who live in the town.

What emerges in North Andover is a conflict between those who feel that needed revenue can only be realized with a Proposition 2½ override for general operations, something the town has never approved, and those who feel that any measure that will add to the tax burden on homeowners is unacceptable. For government, operating under these circumstances places an equal and corresponding burden to manage well and spend wisely.

As the town has experienced budgetary growth over time, so has government evolved. The town operates under a clear structure and strong central management system. It has adopted policies to guide debt, reserve and other financial decisions. In general, town leaders have fostered the kind of introspection and forward looking view we encourage in any community. In many instances, this has led to a recognition of problems, and induced the political will necessary to invoke change.

As a recent example, action was taken to reassign oversight of six service-oriented departments from the planning and community development division to the assistant town manager. Now, division priorities are redirected toward economic development and housing issues, and the division director has more time to concentrate on those goals as a result of the reallocation of management responsibilities.

To improve operations and address deficiencies, the town is taking steps to upgrade its accounting software. This will open the way to the integration of a requisition step to purchasing, as well as to a centralized process for tracking employee accrued sick leave and vacation time. It will allow for the production of more readable and informative financial reports and for the automation of annual adjustments for employee step increases, which is currently a manual process.

In other areas, a town-wide job classification study was completed last year, and the personnel by-law is currently under review. A software-based performance evaluation program has been initiated for division directors and the departments heads this year, and will be expanded to include all staff in the coming year. To comply with state guidelines, the town is exploring ways to adjust pay periods with minimal disruption and bargaining impact.

These are all actions we would advocate if not already initiated, and efforts we presently support throughout this report.

However, at the same time, we see the matter of the finance director, who also holds the position of treasurer/collector, percolating below the surface as more than just a job vacancy. Even though the difficulties experienced by the most recent finance director are widely acknowledged, the personalities, management styles and focus of prior finance directors have drawn mixed opinions on the effectiveness of the position. Casual observations point-out that finance offices have functioned well during periods when the director's position has been vacant, and when the position is filled and the attention of the finance director is diverted elsewhere. To some, capable department heads make this a justifiable allocation of the finance director's time. To others, it raises a more fundamental question of whether the need exists for the finance director position.

North Andover does benefit from knowledgeable, capable finance department heads, but that fact alone has not protected the town from problem events and lapses in fiscal operations within

the management responsibility of the finance director. Recognition of problem areas has led to corrective steps that address departmental issues and to adjustments at higher levels, such as changes affecting the community and planning division and assistant town manager. But, the turnover of finance directors since 1999, notwithstanding current opinion on underlying causes, suggests to us that the role requires evaluation and clarity.

We address this issue in our recommendations, and present others directed to finance-related operations. We also venture into some decision making areas that are likely to prompt discussion and diverse opinion.

For instance, we suggest that the town consider what it desires from the finance director's position, how the future role of the assistant town manager will take shape and how that might impact the human resource function he now fulfills. We encourage a comprehensive review of the technology function in terms of accountability, implementation of the Infrastructure Report recommendations and meeting the everyday needs of town hall. Finally we make recommendations specific to finance offices.

Conclusion - The combination of organizational structure, capable personnel and financial policies should help North Andover sustain operations through the ebb and flow of turbulent economic times. It will not resolve current revenue issues, but provides an underpinning to government and basis for sound decision making. As important, residents will gain confidence that financial management procedures are in place and will not change as elected and appointed officials enter and leave office.

At the same time, local government is not without areas in need of scrutiny and improvement. With frequent, open communication between and among upper management, finance officers, other department heads and staff, issues and solutions will take on definition.

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## ***Summary of Report Recommendations***

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### Overall Financial Management (page 5)

- 1) *Clarify the role of the finance director*
- 2) *Consider separating personnel administration responsibilities*
- 3) *Confirm status of collector as a town collector*

### Computers and Technology (page 8)

- 4) *Shift technology accountability to the town manager*
- 5) *Re-evaluate technology responsibilities*

### Assessors (page 10)

- 6) *Create an assessing department calendar*
- 7) *Elevate staff capabilities*
- 8) *Arrange to receive planning board approvals*
- 9) *Report address changes to collector*
- 10) *Plan for interim year adjustments*

### Treasurer/Collector (page 13)

- 11) *Engage a lock box service*
- 12) *Review staffing levels*
- 13) *Review procedures to accomplish fundamental duties*
- 14) *Create collector to treasurer paper trail*

### Accountant (page 17)

- 15) *Cease completing time sheets for other departments*
- 16) *Make journal entries for DPW payments to police details*

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## ***Overall Financial Management***

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A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact 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 the operation of government. 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 among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

North Andover town government operates under an organizational structure that appears well thought-out, but also subject to on-going evaluation. Current division directors and department managers are experienced and capable. Staff are uniformly competent in carrying-out clearly delineated responsibilities. Established procedures in the day-to-day administration of municipal business have evolved over time, in part, due to continuity in both management and staff positions.

As a result, vendor and payroll warrants are prepared and approved each week and, as a rule, reports are produced and the exchange of information between and among departments occurs on a regular basis. With noted exceptions in other parts of this report, the town is timely in the submission of required documents to the DOR. Written financial, debt and reserve policies have been formally adopted and efforts are made to follow those guidelines in the annual budget process. They also contribute to a forward-looking perspective expressed through the capital improvements plan and the recently completed technology infrastructure report. On balance, financial controls are in place, and where lagging steps are taken to make corrections.

We make no specific recommendations in these areas, but advise the town to come to a decision on new accounting software, and not to delay implementation, in particular, of a system to centralize record keeping for employee accrued sick leave and vacation time, or broadening of performance evaluations to all staff. We encourage efforts to improve financial reporting capabilities, opportunities to further automate operations as well as bring the town into compliance with state regulations.

In this context, our recommendations are few and are intended to inspire higher level discussion on management policies and the role of personnel, rather than on departmental operations.

***RECOMMENDATION 1: CLARIFY THE ROLE OF THE FINANCE DIRECTOR***

We recommend that the town clarify the role of the finance director. The town must decide whether the occupant of the finance director position will also be required to fulfill the role of the treasurer/collector. If so, then that person should be held to perform actual treasurer/collector duties, and to be an active manager of and contributor to that office. If this is not the case, then the town should establish the finance director as an independent position, with no direct departmental management responsibilities as is the case with the town's other two division directors. Alternatively, an assistant town manager/finance director position might be created, if the town were to fund a separate human resource position (see recommendation below). Budget impact might be minimized under this scenario.

A separate manager, with appropriate experience, would then be appointed to head the treasurer/collector's department. However, if serving as treasurer/collector, the finance director should, at least, be held responsible for maintaining debt schedules, developing cash flow budgets, for reviewing reconciliations and for managing investments and bonding.

Under any circumstances, a new finance director must understand the responsibilities, procedures and interaction of finance departments. He or she must be prepared to provide some level of oversight that sufficiently monitors their activities to ensure that tasks are accomplished on a timely basis, and that systems of financial checks and balances are in place. Toward this end, as the search committee conducts its work, we encourage the solicitation of input from finance officers, as well as others, who can speak more precisely about the day-to-day demands placed on a finance director in North Andover.

***RECOMMENDATION 2: CONSIDER PERSONNEL ADMINISTRATION RESPONSIBILITIES***

We recommend that the town consider creating a separate human resources (HR) position. The town has already consolidated personnel and benefits administration in a single person. The assistant town manager, representing the interests of management, fulfills the HR role. He is, however, dividing his time between HR matters and expanding administrative responsibilities. Increasingly, this runs counter to the conclusion of communities that the HR function requires full-time attention. In North Andover, the scope of the HR position is already wide-ranging and is likely to increase further with the implementation of a performance evaluations program. Looking forward, the town should consider at what point justification exists to separate out this function into a full-time, mid-level position created solely for that purpose.

***RECOMMENDATION 3: CONFIRM STATUS OF COLLECTOR AS A TOWN COLLECTOR***

We recommend that the town verify that the collector is a town collector. In order to receive resident payments for other than tax bills, a town must take specific action to designate its collector a town collector through local acceptance MGL. Ch. 41 §38A. Currently, the collector's office receives payment for water and sewer charges in addition to taxes, but there is no apparent

by-law or charter language creating a town collector. On the contrary, reference is made only to a tax collector in a variety of charter sections. Therefore, if required, we suggest the selectmen place local acceptance of Ch. 41 §38A on the next regular or special town meeting warrant.

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## ***Computers and Technology***

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Management information systems (MIS) in North Andover is a two-person department within the administration and finance division of town government. Accordingly, the current MIS director, who has served in a full-time capacity for eight years, reports to the town finance director. An MIS technician with four years in the position spends 17½ -hours per week in town hall, and devotes 20-hours per week to the public library providing similar services.

The MIS department oversees a town-wide network of seven servers, an inventory of 70 desktop computers and the telephone system. MIS staff set up new machines, which are part of a replacement program, respond to hardware and software problems in departments, conduct limited system back-ups and direct disaster recovery efforts. MIS does not work on servers assigned to individual departments operating the KVS, Govern, and State CAMA software. Each of these departments also back-up their own server to tapes. Among other responsibilities, MIS coordinated a staff training program that had been funded at \$700 per year, but is virtually non-existent today.

Although MIS was successful in narrowing computer purchases to a single vender and places all computer orders, purchase decisions are made at the departmental level and costs are charged to departmental budgets. Department heads negotiate and manage vendor contracts, and when problems arise communicate directly with software vendors.

For a better grasp of its technology condition, the town engaged JFK Systems to conduct an infrastructure analysis. A report, published in February 2004, provides a detailed assessment of networks, servers, platforms, desktop systems, security structure, and software applications. The study examined operating systems, email, internet, data storage, back-up and printing capability. In each instance, components were described and issues of stability, performance, security and service demands were reviewed. Finally, JFK presented 30 recommendations which could be implemented at a cost ranging from \$140,000 to \$200,000. The recommendations were placed in order of priority and identified as within the capability of in-house staff to complete, or requiring outside services. Toward this end, it is our understanding that JFK has been retained.

Conclusion - The wide scope of the JFK Infrastructure Report takes it beyond the capacity of the typical town MIS department to produce. It is a comprehensive report on the town's technology status and a blueprint for its future. It provides an opportunity to assess office needs, to clarify town-wide technology goals and to redefine responsibilities between in-house MIS personnel, and those assigned to an outside consultant.

***RECOMMENDATION 4: SHIFT TECHNOLOGY ACCOUNTABILITY TO THE TOWN MANAGER***

We recommend that the MIS department report to the town manager. Technology is an area of global impact where advances and problems can simultaneously cross over multiple town departments. Judgments are frequently necessary to assign priority to expenditures or to resolve competing computer and software needs of different town offices. Development of a long term plan for technology upgrades requires integration of projected costs into the capital improvement program. On balance, these decisions are more appropriately placed under the wider perspective of an executive department. Therefore, we recommend that the MIS department be organizationally removed from the administration and finance division and that the MIS director report, like the town clerk, to the town manager.

***RECOMMENDATION 5: RE-EVALUATE TECHNOLOGY RESPONSIBILITIES***

We recommend that the town manager review technology support with the goal of more effectively assigning responsibilities. The town is right to embrace the recommendations of the JFK Infrastructure Report as a guide in setting town-wide priorities. With the retention of JFK Systems on a consultant basis, the town also has the opportunity to assess in-house technology support services. Therefore, we recommend that the town manager review with MIS personnel the current range and frequency of services provided, and areas of greatest concern among town hall staff. With this information, MIS can be responsive to real needs.

Typically, an MIS department would monitor systems' performance and evaluate the capability of hardware and software in departments. Staff would identify and prioritize the need for upgrades, and recommend the adoption of new technologies. The MIS staff should advise the town on the tendencies, strengths or limitations of hardware or financial management software when changes to policy, procedures or practices are being considered. Everyday accessibility to a knowledgeable technology person can encourage dialogue with staff on how increased computer use can ease office tasks. Even if not the contact point, the MIS department should set up a system to monitor and log the frequency of calls to vendor support by departments, as well as the promptness and effectiveness of vendor response. This information is valuable as a measurement of performance when support contracts are up for renewal.

The MIS department should have a more centralized role in computer hardware and software purchases. It should plan and track upgrades for applications in the various finance offices even when vendors provide primary support.

Finally, an initiative should be taken to evaluate computer and software proficiency among staff through interviews. Overall goals should explore how technology can eliminate manual data entry as well as reduce paper records and redundancies. In the long run, the town should look to develop an on-going training program to increase software familiarity, encourage more effective computer usage and maintain proficiency levels among users.

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## **Assessors**

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The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the tax commitment authorizing the collector to collect tax payments. The office also commits the motor vehicle excise based on information provided by the state. 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 on-site inspections. Upon resident application, assessors act on and track exemptions and abatements. The assessors estimate new growth, recommend the annual overlay, and provide other assessed value information for use in the Recap Sheet which is submitted to DOR to receive approval of the local tax rate.

The North Andover assessing department is managed by a chief assessor with 16 years of experience. It is staffed by a full-time assistant assessor and two, full-time clerks who have three, two and one year in the office. In addition, the office has engaged the services of RRC, an outside contractor, to complete a full measure and list property inspection program, and has an on-going contractual relationship with an assessing professional to complete residential sale inspections. The department head is appointed by the town manager and reports to the finance director, while a part-time, three-member board of assessors is appointed by the board of selectmen on recommendation of the town manager.

Overall, the delineation of responsibilities among staff is clear and the office has procedures in place to accomplish requisite duties. The office uses the state Computer Assisted Mass Appraisal (CAMA) software for record keeping and valuation analysis. The most experienced staff member is a former fee appraiser and devotes the bulk of his time to property inspections. A wide-range of office functions are fulfilled by one clerk, while the remaining staff member offers a strong computer background (particularly with Access and Oracle data base applications). He is involved with a project to digitize property records, to organize a digital photographs database and is also poised to oversee the town's Geographic Information System (GIS) system.

Conclusion - The assessing department is adequately staffed and cross-trained personnel are able to complete the more routine administrative functions and respond to over-the-counter requests when an office member is absent. What appears to be lacking is a sufficient sharing of knowledge and delegation of responsibilities which would allow staff to assist with time-sensitive, higher level projects in the absence of the chief assessor. The recommendations below address this and other matters.

### ***RECOMMENDATION 6: CREATE AN ASSESSING DEPARTMENT CALENDAR***

We recommend that the chief assessor, in coordination with a new finance director, develop and agree on a schedule of deadlines for the completion of critical departmental projects. In addition

to routine tasks, the assessing department has important responsibilities which can have town-wide implications. If not completed, each has the potential to influence revenue projections, impact town expenditures, affect the budget process, as well as restrict the town's ability to get its tax rate approved by DOR.

To help ensure that town-wide priorities are met, the chief assessor and finance director should agree on a 12-month schedule of activities which would establish departmental deadlines in line with town deadlines for the completion of revenue projections, the town balance sheet and the Tax Recap submission. It is our understanding that this has been done with some success in the past. In this way, workloads can be planned, progress can be monitored and, more importantly, problems can be anticipated and corrected in advance of critical deadlines. Groundwork for a calendar might begin with discussions with the interim finance director.

### ***RECOMMENDATION 7: ELEVATE STAFF CAPABILITIES***

We recommend that the chief assessor look for ways to elevate staff capabilities so that tasks can get done in his absence. Last year, state-owned land valuations, the town-wide triennial revaluation of all real estate and the tax rate certification process all converged in December at a time when the chief assessor was out-of-town and not accessible. The remaining staff did not have the knowledge, training or authority to assist DOR field representatives to complete these projects. As a result, there was enormous pressure to meet deadlines, and in particular to ensure that tax bills were not delayed, when the chief assessor returned later in the month.

Looking forward, if the chief assessor knows that he will be out of the office for prolonged periods, he should plan ahead with steps to enhance staff proficiency with the software on which the department relies, and to generally elevate the knowledge base and capabilities of staff. Toward this end, and given the chief assessor's depth of computer knowledge, he might develop office procedural manuals as guides to retrieve important electronic information, and to complete important procedures.

### ***RECOMMENDATION 8: ARRANGE TO RECEIVE PLANNING BOARD APPROVALS***

We recommend that the chief assessor meet with the director of the planning and community development division to discuss how the assessing office can receive plans approved by the planning board. As is customary in most communities, it was routine practice in North Andover for subdivision plans and other lot splits approved by the planning board to be forwarded to the assessing office. In this way, property records would accurately reflect up-to-date parcel information. The practice lapsed around 2001. Now, assessing office staff spend a day or more at the Registry of Deeds searching indexes for recorded plans involving North Andover parcels. This is an unnecessary expenditure of time. The director of the planning and community development division is receptive to re-establishing a link between the assessing and planning offices. We encourage the assessing chief to pursue the matter with her.

**RECOMMENDATION 9: REPORT ADDRESS CHANGES TO COLLECTOR**

We recommend that the assessors' office periodically alert the collector's office of address changes. The assessors' clerk indicated that a report could be easily generated which would identify property owner address changes recorded. Normally, the collector would receive these changes twice per year with tax commitments, but would benefit if the information was received more frequently. Therefore, as a measure of cooperation and support, we recommend that the assessors' office produce such a report and forward it to the collector each month.

**RECOMMENDATION 10: PLAN FOR INTERIM YEAR ADJUSTMENTS**

We recommend that the chief assessor establish a plan to meet new reporting requirements for interim year property value adjustments. All city and town assessors must complete annual sales analysis to determine if changes in market conditions warrant corresponding adjustments to property values to reflect full and fair cash value as of January 1. Beginning in FY05 all assessors are required to report the results of their analysis (whether or not an adjustment was necessary) for all real property to the State Bureau of Local Assessment (BLA) on the form entitled "Adjustment of Valuations Between Certification." The form is available to communities as part of the package of electronic forms accompanying the annual Tax Recapitulation Sheet. It must be received by BLA before, or with, the Form LA-4. In addition, assessors are required to retain documentary back-up and other evidence of their analysis, again, whether or not property adjustments were made. For more information, we refer the assessors to the BLA publication Guidelines for Development of a Minimum Reassessment Program at [www.dls.state.ma.us/bla/pdfs/miniguide.pdf](http://www.dls.state.ma.us/bla/pdfs/miniguide.pdf).

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## ***Treasurer/Collector***

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Under the town government structure, the finance director oversees the administration and finance division and is also assigned the statutory duties of the treasurer/collector. In practice, however, the assistant treasurer/collector manages the day-to-day operation of the treasurer/collector's office and, as it turns out, has provided continuity to the department. Five different people have occupied the position of finance director since 1999 while the assistant treasurer/collector has 19 years of continuous service in her position.

In addition to the assistant treasurer/collector, the combined department is staffed by two, full-time senior clerks, each with over 10 years of experience, and one 17½-hour, part-time position which was reduced from full-time as a result of town budget cuts. The office benefits from the knowledge and experience that longevity provides, but at the same time, must frequently operate short-handed when staff take the extensive vacation time and personal days each has earned.

Workload issues were compounded last year as the collector's side of the office converted from Point to Govern software. As a result, reconciliations of cash and receivables lagged, and reports of receipts to the accountant were delayed. Today, the office is better prepared to process payments for approximately 10,000 real estate, 1,000 personal property bills, as well as 2,500-3,000 water and sewer bills each quarter. Additional miscellaneous receipts, received over-the-counter and from other departments i.e., from the school department, conservation commission, public works, etc., and all cash payments are processed through a free-standing, Lotus spreadsheet cash register program. This information is later re-keyed into KVS software.

The department uses KVS software for treasurer functions which is part of a network with the accountant's office. As a result, entries into the software by the treasurer are immediately viewable by the accountant. Receipts are deposited daily directly into the treasurer's account and turnovers are submitted to the accountant once a monthly. However, posting receipts to the KVS software has been delayed and the paperwork that would accompany a collector-to-treasurer turnover does not occur because of the combined office and intermingled staff.

Otherwise, the treasurer/collector's office has procedures in place to run credit reports and to identify refunds due residents, and to complete municipal lien certificates within the required ten days. A tax title committee was recently formed to help reduce tax titles accounts, which have a current aggregate value of approximately \$1.4 million. The committee, which includes other finance officers, represents a proactive effort to review tax title properties and refer parcels with development potential to the community and development division.

Conclusion - It appears, that more than anything else, employees' earned time impacts the ability of the office to function at a consistent level. In the periodic, legitimate absence of a full-time clerk, the assistant treasurer/collector is drawn to the outer office to help and as a result is

diverted from her own responsibilities. Little assistance was received from the finance director, who was by title, the treasurer/collector, but was a non-contributor to the on-going operations of the department. Working with the accountant, the assistant treasurer/collector has taken steps to implement more effective procedures to aid in receivable and cash reconciliations, and the town has engaged the services of an outside consultant to generally help improve operations. However, while this combination can help the department stay current with proper office procedures, the efficiencies gained may not be sufficient to offset the person hours lost to vacation time and personal days.

### ***RECOMMENDATION 11: ENGAGE A LOCK BOX SERVICE***

We recommend that the town move forward to engage a lock box service. A lock box service, administered by a financial institution, receives tax and/or other payments, deposits checks and returns daily receipt reports, typically on disk, to the city during the billing period. The collector's staff uploads the information from the disk to its accounts receivable software to post the payments. A contract between the town and a lock box service would specify the scope of services to be provided and how costs would be calculated. If lock box use is actively promoted, over-the-counter and mail payments should decline, automatic posting of payments should increase and staff time should be freed-up.

It is our understanding that interviews have been conducted and materials from various lock box services have already been reviewed, but with the departure of the finance director, momentum was lost. We encourage the town manager to reassemble those who participated in the earlier process with the charge to re-examine cost and benefit conclusions, and to provide a recommendation concerning a lock box service by a specified date. This decision need not wait for the arrival of a new finance director.

Lock box technology typically requires an alpha-numeric scan line on all bills to be processed. Scanning wands presently in the treasurer/collector's office read bar code. Rather than imprint two scan lines on each tax, excise or water/sewer bill, we encourage the town to investigate whether its wand system can be converted, or whether investment in another wand technology is feasible.

### ***RECOMMENDATION 12: REVIEW STAFFING LEVELS***

We recommend that the town monitor staffing levels in the treasurer/collector's office. The treasurer/collector's office operates under the unique circumstance where all three full-time employees have longevity, and have built up extensive vacation time. Each has earned five weeks of vacation time per year, and receive an additional four personal days annually. As a result, the office can be down one, full-time person during 17 of 52 weeks of the year. This can place strain on employees and provides reason to monitor staffing needs in the office.

To begin, if the town follows through with a lock box service and also assigns certain responsibilities to the finance director, whose job description includes performing the statutory duties of the treasurer/collector, both the staff and assistant treasurer/collector would benefit. Whether or not a separate finance director position is created, the town can consider upgrading the current part-time clerk position to a full-time position. With the equivalent of four full-time positions, and a possible shift of certain responsibilities to the finance director, workload pressure would be relieved while staffing for the combined treasurer/collector office would remain consistent with levels in other finance departments.

***RECOMMENDATION 13: ESTABLISH PROCEDURES TO ACCOMPLISH FUNDAMENTAL DUTIES***

We recommend that the treasurer/collector work with the outside consultant to ensure that office responsibilities are fulfilled. The town has engaged the services of an outside consultant specifically to assist in establishing procedures and streamlining operations in the treasurer/collector's office. We recommend that, at a minimum, the following procedures, records and goals be reviewed and addressed where warranted:

Collector

- Receipts are posted and deposited daily
- Receipts are turned-over to the treasurer at least weekly
- A receivable control record is maintained
- Internal reconciliation of receivables is conducted at least monthly
- Receivable reconciliation with the accountant occurs monthly
- Credit reports are run and refund procedures are in place
- A program to move delinquent properties to tax title is scheduled and executed
- Appropriate channels are open to exchange information with other offices relative to abatements, exemptions, address changes, bounced checks, etc.
- Relationship with the deputy collector conforms to DOR regulations

Treasurer

- A cash book is maintained
- Check registers are maintained
- Internal reconciliation of cash accounts is conducted at least monthly
- Cash reconciliation with the accountant occurs monthly
- Departmental turnovers are posted daily
- Treasurer prepares a schedule of receipts for the accountant at least weekly
- A cash flow budget is maintained
- Debt and debt service schedules are maintained
- A tax title program is formulated and executed
- Payroll and personnel records are secure

***RECOMMENDATION 14: CREATE COLLECTOR TO TREASURER PAPER TRAIL***

We recommend that the collector turnover receipts to the treasurer with notice to the accountant. Consistent with the practice in many communities, payments or taxes, excises and other charges received by the collector's office are deposited each day directly into the

treasurer's account. At the end of each month, a schedule of treasurer's receipts which documents those deposits is provided to the accountant. Missing is a paper trail from the collector to the treasurer, and more immediate notice to the accountant of the town's receipts.

Each day a deposit is made, the collector should prepare a departmental turnover to the treasurer with a copy of the deposit slip, or slips, attached as evidence of receipts. A copy is retained in the collector's records, and a copy should go to the accountant. The treasurer's cash book should then record turnovers from the collector as it does turnovers from other departments. The accountant will have current information on the cash in town accounts. Each will have source documents for reference during reconciliations.

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## ***Accountant***

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Since leaving a private sector career, the present accountant has acclimated well to the nuances and complexities of municipal accounting practices to the extent that she was, in July, appointed to a second, three-year term by the board of selectmen. Her staff includes a full-time accounts payable clerk who provides the benefit of eight years experience in the office. A new assistant accountant began full-time in October after four years of private sector accounting.

In addition to relieving the accountant of payroll and other responsibilities, the assistant accountant will be trained to fulfill critical office functions in case of a prolonged absence of the accountant. A more normalized delineation of responsibilities also comes at a time when the accountant has agreed to serve as the town finance director until the position is filled. In that capacity, she is preparing the operating and capital improvement budgets for presentation to the town manager. In the meantime, the town hopes to hire a new finance director by year end at which time, we would advise that her interim duties end.

The accountant's office functions well in an environment where responsibilities are clear. The office systematically completes the vendor and payroll warrant process and maintains an accurate and up-to-date general ledger. The accountant regularly reconciles her own cash and receivable accounts, even though up until recently she has been unable to reconcile balances with the treasurer/collector. The accountant has custody of, and routinely references, all town contracts and grants, keeps debt schedules and issues regular reports on town expenditures and revenues. She is precise in the preparation and timely in the submission of the town's balance sheet to DOR at year end and of its annual Schedule A by October 31.

Where tasks are not getting done, there is awareness of problems and plans to overcome them. Issues surrounding reconciliations of cash and receivables have been discussed and steps have been taken in the treasurer/collector's office to correct the process. The need for a centralized system to account for accrued sick leave and vacation time is recognized and will be resolved with the acquisition of new financial management software. New software will also offer superior report writing capability. The accountant presently rekeys KVS generated information into Excel spreadsheets in order to create more simplified presentations of data. In other instances, the accountant expends time, unnecessarily or beyond the scope of the office, originating timesheets for various departments, recording excessive account transfers by departments, and coordinating the Tax Recap process.

Conclusion - The accounting function is critical to an underlying system of financial checks and balances. In all respects, the accountant's office functions effectively and professionally. Our recommendations are few and tend to streamline procedures or support initiatives already taken.

***RECOMMENDATION 15: CEASE COMPLETING CERTAIN DEPARTMENTAL TIMESHEETS***

We recommend that the accountant discontinue the practice of completing time sheets for various offices. The payroll process begins for most town departments when managers print employee time sheets from the KVS payroll software which already reflect employees' regular hours and pay rate. He or she signs the report and forwards the hard copy to the accountant. If an employee works other than normal hours, an exception is noted and approved by the manager before the time sheet is sent. The accountant then keys exceptions only into KVS so that the appropriately adjusted payroll check can be placed on the warrant.

For the finance director (one employee), MIS (2), the assessors' office (4), the Stevens Estate (20) and Youth Services (50 seasonal), the accountant or her staff go through the process of printing and forwarding time sheets with a request for changes each pay period. With the exception of the Stevens Estate, all have access to the KVS software.

If it is the policy and practice that department managers are responsible for originating time sheets, then all should be equally responsible. As small as it may seem to others, the task is a burden and interruption that falls unfairly to the accounting office. If managers are not already trained in the use of the KVS payroll software, then training should be scheduled. Where KVS is not accessible, then templates should be developed and made available in hard copy.

***RECOMMENDATION 16: MAKE JOURNAL ENTRIES FOR DPW PAYMENT***

We recommend that department of public works payments (DPW) for police details be made through journal entries by the accountant. Under current practice, the police department invoices the DPW for the cost of police details on in-house projects. The DPW submits the invoice to the accountant for payment, which is approved through the vendor warrant process. The treasurer issues a check back to the police department, which then returns it over to the treasurer as a departmental receipt and for deposit into the police detail revolving fund.

We recommend that instead of issuing a check, the accountant designate the payment as a "no check" on the warrant, then make journal entries to account for the appropriate transfer of funds. Depending on KVS features, the department or mechanism to effectuate a "no check" may differ. In the case where the DPW has contracted-out the work, the police would invoice the outside contractor directly.

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## ***Acknowledgements***

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