



Town of Oak Bluffs

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

January 2002





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 Oak Bluffs.

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, the team interviewed the members of the Board of Selectmen, the town Moderator, treasurer, collector, assessor, computer administrator and staff members, as available, in each office. Among others interviewed were the management information systems director, the town/Municipal Council clerk, the assistant accountant, payroll/accounts payable clerk, water billing coordinator and engineering/utilities department administrative assistant.

DLS staff examined such documents as the tax recapitulation sheet, town reports and warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town by-laws and various job descriptions as well as other assorted financial records. Internal memoranda and other materials were also provided to us by the town.

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 Board of Selectmen, 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.

EXECUTIVE SUMMARY

General - Oak Bluffs is one of six towns located on the Island of Martha's Vineyard, and one of three with a year-round population in the range of 3,700 people. The fourth largest town, West Tisbury, had an estimated population of 2,467 in the year 2000, while Aquinnah and Chilmark had 344 and 843 people, respectively. During the peak summer months, Oak Bluffs' resident population inflates by 30,000 to 40,000 people and, during any 24-hour period, thousands of additional day trippers might arrive into the town.

Although physically separated from the mainland, Oak Bluffs has not been isolated from the effects of a surging regional economy which only recently entered the end of a prolonged run. With dramatic increases in private wealth and advances in remote communications, more individuals and their families have been drawn to the town as a permanent, as well as seasonal residence. In five years between 1996 and 2000, 584 new single family parcels have been created. The year-round population and school enrollments have each increased at a faster rate and in greater numbers than in any other island town. More significantly, the recent release of FY02 values following the completion of a town-wide revaluation reflects the high level of demand and extraordinary sale prices buyers have been willing to pay for homes in Oak Bluffs.

Despite these trends, the town's financial evolution and its fiscal condition have not deviated from a course followed by many Massachusetts communities. Budget growth, potential revenue sources, outstanding debt, school spending are all areas of concern. But, for Oak Bluffs, the extreme ebb and flow of a seasonal population places atypical stress on town infrastructure, complicates planning and fuels debate on the equitable distribution of costs for local services. Oak Bluff's greatest challenge, however, is sustaining a level of management and team of finance officers who can effectively administrator the day-to-day affairs of government and orchestrate the town's future. Because of these same economic trends, recruitment has become more difficult. For an island community, life style choices and finite geography have always placed constraints on the pool of prospective town employees. A high cost of living and property values have been major obstacles as well, but seem more prominent now.

At present, financial management in Oak Bluffs appears to be in an extended state of flux influenced, in part, by the changing role of the Selectmen, the absence of an executive secretary and turnover in town hall staff, including finance officers. The mix of elected and appointed officers and boards further blurs lines of accountability, while the town's by-laws offer less than they might relative to finance responsibilities and procedures. More than anything else, without a strong, day-to-day management presence at town hall, inexperienced officers and staff are denied important guidance, structure weakens, and the normal system of checks and balances is placed at risk.

In this context, our report speaks to the financial management of the town in global terms and reviews practices in each of the finance offices. A summary of our findings and recommendations begins below.

Financial Management - Despite their collective inexperience, new personnel in the office of the Accountant, Treasurer and Assessors offer the town the potential to gain stability, but the need for training exists and a full-time, management presence in town hall is imperative. The Selectmen agree that a more meaningful role for the Executive Secretary is needed and in soliciting candidates for the position, have advertised for a Town Administrator. We support this change and recommend that the position be established through a by-law as a Town Administrator with duties and responsibilities appropriate to a strong manager.

In terms of procedures, the annual budget process has general acceptance and appears to work well under current circumstances. Through the guidance of the Interim Executive Secretary, the budget process for FY03 has begun and is moving forward, including the practice of revenue and expenditure forecasting. A capital improvement program is also underway, but uses free cash as its primary funding source which builds uncertainty into the program. A mechanism is in place to generate revenue and expenditure reports on a regular basis and with policy changes that address line-item transfers, the use of free cash and funding capital programs, the town can make annual spending more predictable, and gain greater control over its budget. While we are aware of no formal reserve policies, the town has generated consistent levels of free cash and stabilization has been funded at 2.5 to 4.8 percent of the annual budget in the last five years.

The town should also take action to comply with the request of the Attorney General that the General Provisions and By-Laws be updated, codified and resubmitted for approval. Until the recodification is complete, the Attorney General has placed 25 Oak Bluffs by-laws passed at town meetings in 1999, 2000, and 2001, including 11 that involve zoning changes, in a "pending approval" status. Therefore, recodification should be a priority followed by a substantive review of the town's by-laws.

Technology - The town has made progress advancing its technology status, but even as the technology program moves forward, greater focus should be placed on planning and training issues. We underscore the importance of a technology plan as a means to monitor the technology status, establish a program of regular upgrades and develop a long-term capital budget. We recommend the Systems Administrator be included in discussions involving possible changes in policy, procedures or practices affecting the way computer systems and software are used. Finally, we recommend expanded use of MUNIS and ongoing staff training.

Accountant - The accountant assumes an important position in town government and now, after eight changes in ten years, Oak Bluffs has the chance to create some stability in the office. As the town moves past the hurdles of converting from the Cobol to the 4GL versions of MUNIS,

the Accountant must continue to develop a clear understanding of his role in the system of checks and balances in municipal finance as he performs everyday tasks, produces periodic reports and makes annual submissions. He must be a strong advocate of the financial management software and persistent in impressing upon town officers and staff the value of its ability to alternately centralize and decentralize tasks to gain efficiencies.

Treasurer - Like the Accountant, the Treasurer and the Administrative Assistant are relatively new to municipal finance and face a steep curve at a time when the absence of a full-time Executive Secretary leaves a leadership void. The interim Executive Secretary, the town's outside auditor and its financial advisor have been helpful, but can contribute only so much to accelerate the learning process. Over time, the Treasurer and Assistant Treasurer will attain greater proficiency in their respective duties and improve on the day-to-day functions of the office. Specific attention should be directed to developing a cash flow model, maintaining accurate debt records and establishing a program to reduce tax titles.

Collector - After what appears to have been a tumultuous period, the Collector now has sufficient resources to reduce backlogs and improve future operations. However, while we agree that personnel turnover and computer problems played a constraining role in the ability of the Collector to complete certain tasks, success moving forward will depend as much on time management issues as the proficient utilization of new technology. She should instruct staff to post receipts each day so that the reconciliation of receivables can be accomplished accurately and timely. She should assign the task of sending demand notices and pursuing tax titles, as well as processing municipal lien certificates, abatements and refunds to staff to be accomplished on pre-established schedules.

Assessors - Since the arrival of the professional contract assessor, the current Administrative Assistant and Data Collector, measurable success has been achieved in establishing standard office procedures, stabilizing staff and re-establishing confidence in the Assessing Department. Even with the anticipated departure of the contract assessor during FY02, the Assessing Department is in a more stable position than in prior years. Responsibilities are sensibly delineated between staff who are competent and proficient in their work and across finance offices, inter-related responsibilities are more coordinated. However, outstanding issues remain as the town must consider whether to initiate annual adjustments to property values, how best to complete cyclical inspections and how to prepare for future staffing needs. These are important decisions especially in a community with very high and potentially volatile values.

Conclusion - In 1991, a DLS Financial Management Review for Oak Bluffs alluded to the failings of a decentralized government, the disruption caused by turnover in personnel and the absence of a professional administrator to coordinate financial management and provide continuity. All this was stated within the backdrop of the town's struggle to cope with rapid change. With the completion of this second management review ten years later, rapid change continues in the town demographics during a period when local government has been forced down a parallel

path of escalating complexity. The town has made progress in its financial management practices, but turnover persists undermining stability and attempts at centralized management.

Now again, we have concluded that Oak Bluffs needs full-time, professional management. However, of all the options to centralize town government, the executive secretary configuration represents one of the weakest from a management perspective and often reflects the choice of a community which views non-elected, professional management as a threat, rather than enhancement, to local checks and balances. As the people of Oak Bluffs, and those who represent them in local government, confront increasingly complex issues on a regular basis, a commitment to further strengthening management and financial controls at town hall becomes more critical to protecting the procedures that safeguard their interest. If, over time and under the present structure of government, these goals still prove elusive, the town must consider fundamental changes and revisit proposals designed to create more meaningful accountability.

SUMMARY OF PRIMARY REPORT RECOMMENDATIONS

- 1) *Financial Management* - Strengthen central management. [page 7]
- 2) *Financial Management* - Modify budget format and control line-item transfers. [page 8]
- 3) *Financial Management* - Reconsider how free cash is used. [page 9]
- 4) *Financial Management* - Restructure capital programs funding mechanism. [page 9]
- 5) *Financial Management* - Create office privacy for finance officers. [page 10]
- 6) *Financial Management* - Recodify and update town by-laws. [page 10]
- 7) *Technology/Data Processing* - Develop a long range technology plan. [page 12]
- 8) *Technology/Data Processing* - Input into financial management planning. [page 12]
- 9) *Technology/Data Processing* - Enhance staff training and fully utilize MUNIS. [page 12]
- 10) *Accountant* - Advocate full utilization of MUNIS. [page 14]
- 11) *Accountant* - Take advantage of education resources. [page 15]
- 12) *Treasurer* - Advocate full utilization of MUNIS. [page 17]
- 13) *Treasurer* - Develop and initiate a tax title program. [page 17]
- 14) *Treasurer* - Create a cash flow projection model. [page 18]
- 15) *Treasurer* - Maintain complete bond and debt service schedules. [page 18]
- 16) *Treasurer* - Take advantage of education resources. [page 19]
- 17) *Collector* - Devise a plan to manage time and workloads. [page 21]
- 18) *Collector* - Post receipts as received. [page 22]
- 19) *Collector* - Issue demand notices and execute tax takings. [page 23]
- 20) *Collector* - Modify lockbox policies to improve service. [page 23]
- 21) *Collector* - Absent progress, revisit the issue of an appointed collector. [page 24]
- 22) *Assessors* - Initiate interim year property value adjustments. [page 26]
- 23) *Assessors* - Initiate a program of cyclical property inspections. [page 27]
- 24) *Assessors* - Plan for future staffing needs and take advantage of education resources. [page 27]

FINANCIAL MANAGEMENT

The town of Oak Bluffs operates under local By-Laws that lay-out responsibilities of the Board of Selectmen in general terms and provide basic provisions establishing the Finance Committee and Capital Programs Committee. Although the Executive Secretary form of government was instituted in the early 1990s, it was not created by by-law and, outside a 1995 job description, no codification of duties exists. Acknowledging that the administration of town government may be beyond the means of a part-time board, the Selectmen have also implicitly agreed that the role of the Executive Secretary warrants strengthening. Turnover in the position has also amplified the need for greater fiscal management on a day-to-day basis.

In the past, the operation of local government has been slowed by high turnover in the Executive Secretary position and among appointed, finance offices. The town has now achieved some stability at the department levels, but has been unable to establish longevity among Executive Secretaries. To some degree, the town is a victim of its geography, but at the same time, the absence of strong job guidelines has often meant that the effectiveness of an Executive Secretary is directly related to the management strength and capability he or she brings to the table. The most recent office-holder took an aggressive role in budget and financial matters, and according to some, made progress. Others disapproved of her approach.

The Interim Executive Secretary has provided valuable guidance, but one day a week at town hall falls short of filling the leadership void that exists. In three days a week, a professional, contract assessor has helped stabilize operations as they relate to the Assessing department, but can only make a limited contribution to other offices. The leadership void takes on greater significance considering that the Treasurer, Accountant, their assistants and the Assessors' Administrative Assistant each have less than 18 months on the job, and little, if any, prior municipal finance experience. While uniformly competent and capable of growing into their respective jobs, each would accelerate along a steep learning curve with the arrival of a strong manager. In the meantime, the finance staff struggle to gain proficiency in areas like debt management, and long range revenue and expenditure forecasting.

The arrival of a professional, contract assessor, and the support provided by the former Executive Secretary and current Interim Executive Secretary, have helped install routine financial management procedures. As a major step forward, the town's Recap Sheet has been completed and its tax bills have been mailed on a timely basis. The budget process has also evolved to a point where the Board of Selectmen have taken a more active role. As a product of this effort, the FinCom budget presented to Town Meeting is developed, by consensus, with the Selectmen. The FinCom continues in what it regards as a watchdog role, but accepts the exercise as effective in resolving budget disputes in advance of Town Meeting. To begin the process, the Executive Secretary communicates budget guidelines to department heads, receives appropriation requests and formulates a working budget. Information is forwarded to

the FinCom throughout the process and the working budget is presented to the Selectmen and FinCom simultaneously.

The town has also benefited from the creation four years ago of a six-member, Capital Programs Committee. The committee has formalized and centralized a process for evaluating and prioritizing the town's capital needs as presented by the various departments for the annual budget and in a five year plan. Funding for capital projects is primarily drawn from free cash. However, pursuant to a town by-law provision, the Treasurer transfers interest income each month from the stabilization fund account to a Capital Improvements Fund. Proceeds from the sale of surplus property also flow to capital projects. Committee recommendations are submitted to the Selectmen and FinCom for inclusion in the April Special Town Meeting so that expenditures can take place in the current fiscal year, if necessary, and before the start of the summer season.

With the exception of the Annual Town Meeting action on the ensuing year appropriation, the town makes current year budget adjustments in two-to-four additional meetings through line-item transfers and the use of free cash. That is, after the annual budget is approved in April and implemented on July 1, departments are returning to Special Town Meetings in the fall and spring to request additional money to cover oversights and shortfalls in their current appropriation. Funding for capital programs is also appropriated mid-year after free cash is certified. In our recommendations, we suggest the town plan and budget for all its anticipated expenditures, including capital improvements, during the annual budget process.

Finally, in order to correct past procedural deficiencies, the Attorney General has requested that Oak Bluffs update, codify and resubmit its town by-laws for approval. Until the recodification is complete, the Attorney General has placed 25 Oak Bluffs by-laws passed at town meetings in 1999, 2000, and 2001, including 11 that involve zoning changes, in a "pending approval" status. Approval of any future by-law proposal will also be delayed. Therefore, recodification should be a priority. Because the by-laws have never been updated, the town should consider a substantive review of its provisions as well.

RECOMMENDATION 1: STRENGTHEN CENTRAL MANAGEMENT

We recommend the town adopt by-laws creating and strengthening the position of Town Administrator. We recommend elevating the Executive Secretary position to a Town Administrator, formally creating it in the town's by-law, assigning the position express authority to function as the town's day-to-day administrator and fiscal manager. Among 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. As chair of the financial management team, he should orchestrate analyses of financial data, coordinate long range revenue and expenditure forecasting and oversee fiscal procedures. He should be prepared to report to the selectmen, annually or as requested, on the financial condition of the town and convey policy decisions made by the selectmen to department heads.

RECOMMENDATION 2: BUDGET FORMAT AND LINE-ITEM TRANSFERS

We recommend the town adopt a budget format that clarifies its policy on the transfer of funds between line items within departments. As a rule, the transfer of funds between any two budget line items can only be accomplished through Town Meeting action. However, through the budget format, or through the addition of specific language to the budget article, varying degrees of authority can be given to department heads to transfer money between line items within general budget categories. Oak Bluffs addresses this issue through a 1994 by-law provision that attempts to allow transfers between non-salary/wage line items. However, recent experience suggests that clarity is needed.

Budget Format - Many communities approve appropriations by department and in three categories within each department (typically salaries/wages, operating expenses and capital categories). In this way, the department head is allowed flexibility to move money between line items within each general category. For example, the salary remaining after the mid-year departure of a clerk might be utilized for overtime costs by the department head without further approvals. On the other hand, no transfers can be made between categories - that is, salary money cannot be used for expenses, expense money cannot be used for equipment, etc. This allows department heads to use money where it is needed, with limitations, and helps avoid the situation where mid-year transfer requests and end-of-year turnbacks occur in the same department.

During the budget process, the Selectmen and FinCom should still require department heads to submit detailed line-item descriptions and back-up documentation in their appropriation requests. The same data can be made available to Town Meeting, as supplemental information, when the budget is considered and voted.

Town Meetings - The adoption of the budget format described above works in tandem with a plan to schedule two town meeting dates per year. A spring date is dedicated to a special town meeting to address current year fiscal issues, followed on the same night by the annual town meeting to deal with ensuing fiscal year issues, including the annual budget. To the extent possible, a fall town meeting should consider only non-money related articles. If neither fund transfers nor free cash is available at the fall town meeting, department heads will be encouraged to make realistic annual appropriation requests and to manage money well.

This approach forces department heads and budget decision-makers to look forward, set operational priorities and plan for contingencies. For further expenditure control, the FinCom reserve might be increased with the intent that it serve as the initial source for late-year transfer requests. Recognizing that transfers from the FinCom reserve are restricted to unanticipated or emergency situations, further incentive to budget wisely will be created.

Checks and Balances - Even with the added confidence placed in department heads to manage their money under this scenario, expenditures remain subject to the checks and balances of the

warrant process. Specifically, the Accountant must verify that funds are available, that the expenditure is appropriate to the budget category and that it is not fraudulent. A further check occurs when the Selectmen review and approve the warrant. In addition, when the Accountant produces monthly expenditure reports, all departmental activity is reviewable in detail. This report should routinely be available to the Selectmen, department heads and FinCom members. Ultimately, the Selectmen must be willing to hold the line and resist placing transfer request articles on the town meeting agenda.

If Town Meeting chooses, instead, to exercise more control over departmental spending, the budget should be presented and voted with line-item detail similar to the current format. No transfer could occur between any two line-items without Town Meeting approval. However, unless a realistic annual appropriation is approved, the practice is likely to serve as a catalyst for additional town meetings, at a cost, to address departmental needs. In either case, By-Law language allowing line-item transfers would have to be revisited.

Irrespective of what level of detail the town chooses to apply to its budget, we recommend that language be added to the appropriation article to present a clear statement of town policy on the issue.

RECOMMENDATION 3: RECONSIDER HOW FREE CASH IS USED

We recommend the town use certified free cash as a revenue source in the ensuing year budget. Oak Bluffs has historically utilized free cash as a device to make mid-year budget corrections. Transfers are made during special town meetings for departmental shortfalls, unanticipated costs or new appropriations. However, like line-item to line-item transfers, the availability of free cash for current year expenses is a safety valve or cushion which serves as a disincentive to careful and realistic budgeting.

We recommend, instead, that certified free cash be held primarily as a revenue source to support the next year's budget. Spending from free cash can take place at the same levels as in the past, but the focus is to anticipate and account for expenses in advance. A portion can still be made available in the current year to supplement stabilization, for one-time expenditures, etc., but free cash should not be depleted upon certification.

RECOMMENDATION 4: RESTRUCTURE CAPITAL PROGRAMS FUNDING MECHANISM

We recommend that the town change the way it funds capital improvements. In the absence of special legislative authority, a town cannot establish a special revenue fund for capital improvement purposes. Nor can a community through by-law direct transfers out of stabilization which require a two-thirds vote of Town Meeting. Therefore, unless and until the town seeks and receives approval of special legislation, the Accountant should cease to carry a Capital Improvement Fund. All monies in the fund attributable to interest income should be returned to the stabilization fund and all proceeds from the sale of surplus property should be transferred to

a "sale of real estate" special purpose fund (authorized under MGL Ch. 44 § 63). The remaining balance flows to the general fund. To continue these as capital funding sources, separate votes on appropriate articles at any town meeting would be required.

In the alternative, we recommend that the town adopt a permanent policy for consistent annual funding for capital improvements that incorporates, in part, the following:

- 1) Establishes a mechanism (i.e., a percentage of total prior year receipts, or of total proposed budget) to arrive at the spending level for capital improvement projects;
- 2) Includes the amount for capital expenditures as an annual budget article;
- 3) Identifies in the article individual projects recommended for funding, the amount requested by the department, the expenditure recommended for each project as part of the budget, and the funding source for each recommended project;

RECOMMENDATION 5: CREATE OFFICE PRIVACY

We recommend the creation of privacy for the Collector, Accountant and Treasurer. In today's society, it is a reasonable expectation among taxpayers that their business with the town be performed in a confidential and professional manner. It is equally reasonable that finance officers would appreciate an office environment where they can conduct their work undisturbed and in private. With the installation of temporary or partial walls, an area for the Treasurer's office can be separated from the Accountant's Office. Similarly, the Collector's current desk area can be partitioned into a private office. With some privacy, each could devote undisturbed time to the completion of routine tasks and major projects, and would be insulated from distractions originating in outer office areas.

RECOMMENDATION 6: RE-CODIFY AND UPDATE TOWN BY-LAWS

We recommend the town act to re-codify town by-laws. Recodification involves reorganizing the town by-laws into a logical order with distinguishable sections. It deals solely with the structure of the document making no changes to the content or meaning of the individual by-laws as passed by Town Meeting over the years.

We recommend the town act to establish a by-law review committee. Once recodification is complete, we recommend that the non-zoning portions of the town's general provisions and by-laws be reviewed with the intent to correct, clarify and improve language and to ensure consistency with other by-law provisions and with state statutes. The structure of local government and its operation as described in the by-laws should also be reviewed with the intent to make the by-laws more closely conform to actual practice.

TECHNOLOGY AND DATA PROCESSING

In August 2000, the Town of Oak Bluffs created a Data Processing Department and engaged its first, in-house Computer Systems Administrator (SA). Constituting a one-person department and located in two small rooms off the Assessors' office, the position is full-time and reports to the town's Executive Secretary. The current SA has ten years of experience in town government including time spent in the collector's and accountant's offices.

The SA oversees the maintenance and operation of the town computer network including hardware and software installations, upgrades and repairs. She executes daily system back-ups, provides in-house support, communicates with vendors for MUNIS, Unix and NT on more technical issues, and arranges training sessions for staff. Among other tasks, she performs downloads, executes electronic transfers and inputs data on a regular basis. She is also responsible for keeping the town advised of its long and short term computer needs for planning purposes.

The town hall network of 24 computers operates through two servers, while 20 or so off-network computers are spread among municipal offices in other buildings. At town hall, an NT server houses a folder for each department and supports the Vision appraisal software which is used exclusively by the Assessing Department. A second, Unix server supports MUNIS, the town's financial management software which is fully accessible to almost all town hall offices through the network. Word processing and spreadsheet applications (Microsoft Office Professional 97) are located on stand alone computer terminals in each office.

At present, the Conservation Commission and Wastewater Office in town hall and off-site offices of the Highway Department, Council On Aging (COA) and Library have no access to MUNIS. The town has no, reliable email capability and only the Executive Secretary and SA have internet access. The town hall servers are also approaching their storage capacity. With the conversion of the MUNIS software from an older Cobol version to a newer graphic user interface (GUI) version have come the typical array of glitches, data transfer errors and training lapses, all of which contribute to unintended downtime and staff frustration. The town has purchased MUNIS modules to perform a wide range of functions, some of which are not utilized.

The SA is aware of and has addressed many of these issues. With installation of a new computer, the COA will be connected to the town hall network, as will Wastewater and other off-site offices through dial-in access. In the near future, an email system will be in place and internet access will be available to all offices. A third server has been purchased for town hall which, when installed, will enhance storage capacity and improve overall computer performance for individual departments. Training sessions were made available to staff in MUNIS, and computer procedural manuals are developed for their benefit on a continuing basis by the SA. Beginning below, our recommendations continue to focus on planning and staff training.

RECOMMENDATION 1: LONG RANGE TECHNOLOGY PLAN

We recommend the SA complete a long range technology plan. It is our understanding that the SA has begun to consider, but has not yet drafted, such a plan. A technology plan as a means to monitor the technology status of the town and to lay-out a program of regular upgrades to software and hardware, all of which is critical to preserving and building on the efficiencies that have been gained. A written plan would also establish a long term schedule of improvements and identify annual costs necessary to achieve goals. With this information, the SA should meet with the Capital Improvement Program Committee to craft a meaningful technology budget which can be incorporated into a five-year capital improvement plan.

RECOMMENDATION 2: FINANCIAL MANAGEMENT PLANNING MEETINGS

We recommend the SA be included in all financial management planning meetings. The SA should be involved in discussions involving possible changes in policy, procedures or practices that might impact the use of computer hardware or software. Decisions made in a technology vacuum fail to take into account the tendencies, strengths or limitations of the financial management software in which the town has invested heavily. With input from the SA and/or head of the department directly effected, a better decision might emerge, and more importantly, circumstances might be averted where apparent gains in one area inadvertently cause setbacks in another.

RECOMMENDATION 3: STAFF TRAINING AND FULL UTILIZATION OF MUNIS AS PRIORITIES

We recommend that training for staff on the operation of MUNIS be an on-going priority. Initial vendor training provides a foundation in the operation of new software, but is rarely sufficient to insure proficiency. It is our understanding that, to help, the SA has supplemented early training with additional sessions and has developed procedural manuals for various department tasks on an ad hoc basis. These are worthwhile steps which should be carried forward.

-Toward this end, we encourage the SA to continue offering training sessions focusing on individual office modules as well as the broader use of electronic vouchers, payroll time sheets, budget appropriation requests and possibly turnover sheets. Whenever possible, the SA should consider inviting or engaging outside instructors to teach staff. As trained and experienced professionals, they are likely to have greater success communicating and holding the attention of staff than a non-teacher.

-Over the long run, the SA should consider seeking an appropriation in her budget for a continuing technology education program.

-We suggest that the SA continue to expand the procedural manuals, prompting office staff for tasks they would want detailed. Manuals might be devised as troubleshooting guides as well, identifying simple steps to correct uncomplicated, or recurring problems.

Similarly, the SA should be diligent and patient in an explanation to staff of how simple problems occur and are resolved. By educating staff in this way, their capacity for self-help will increase and demand on her time will diminish.

-For their part, staff must understand the contents of and first consult the procedural manuals when problems arise rather than immediately react with a call to the SA. They should look for ways to expand the manuals to meet their individual needs and must take the initiative to communicate with the SA to have important procedures documented. For her part, the SA must regularly engage staff in discussions about their difficulties with hardware and software performance.

-To monitor computer related issues, we recommend the SA use a technical assistance request form. This would be a simple one-page form identifying the office, person, date and nature of a technical assistance request. It would also note what action was taken and when the request was resolved. The form might be more effective when filled out by the SA when a request for assistance is received. With documentation, the SA will have insight into what problems tend to recur, how quickly they are resolved, where additional training may be appropriate, and so forth.

-We also recommend the SA keep a similar log of requests to vendors for technical support. A log can reveal specific problem areas, where additional training may be needed, and the responsiveness of vendors.

We recommend the town fully utilize the MUNIS software. A commitment must be made by the town, as a matter of policy, to utilize all the software modules purchased and available in the MUNIS package. The significant financial investment in the software alone justifies this action. However, department heads and staff must also be continually reminded of the benefits the software offers to them individually, as they do their job, and to town government as a whole, in the management of its finances. With full implementation of electronic vouchers, payroll time sheets, budget appropriation requests and turnover sheets, what is now recorded and transferred in hardcopy would be entered by keyboard and transferred electronically. The workload of the departments would not increase, but gains in the overall efficiency of the town's financial management would be realized.

ACCOUNTANT

The Accountant, who is appointed by the selectmen, plays an important role in the system of checks and balances established by statute to monitor and protect local resources. Through the warrant process and maintenance of independent records, he documents and justifies the flow of money into and out of municipal accounts.

The current Oak Bluffs Accountant has been in the position for about a year and a half and serves full-time with a full-time assistant. The Accountant's background includes 15 years in the private sector as a corporate comptroller, but no municipal finance experience. Together with the Treasurer and Assistant Treasurer, they share a large, open office area which is separated from the town clerk's office only by low-rise, permanent partitions. As a result, there is little privacy and no quiet area to conduct town and taxpayer business.

Working in concert, the Accountant, the town's contract Assessor and municipal Clerk have succeeded in reversing a trend of the past by preparing and submitting a timely Recap Sheet to DOR and thereby ensuring that tax bills are mailed by statutory deadlines. This year, the accountant also expects to submit the town's Schedule A and Balance Sheet to DOR on a timely basis as well. It is our understanding that he regularly reconciles cash with the Treasurer and receivables with the Collector. Otherwise, the Accountant, with the help of the Assistant Accountant, prepares weekly vendor and bi-weekly payroll warrants, maintains a general ledger, and produces internal revenue and expenditure reports throughout the fiscal year. He is involved in the budget process and for the first time, in developing revenue and expenditure forecasts.

Although his private sector experience serves as a foundation, the accountant remains relatively new to municipal financial practice which can differ significantly from corporate accounting. He appears to have acclimated well to date and with the passage of time should become more comfortable with the technical demands of the office. However, in the meantime, the learning process is likely to become more complicated by a recent computer software conversion and the requirements of GASB #34, which phases-in new accounting standards for municipal governments. The Accountant receives guidance from the interim, part-time Executive Secretary, but this predictably falls short. The Accountant has and should continue to avail himself of off-island educational opportunities. He should also work with the Executive Secretary to encourage town-wide use of MUNIS which represents a powerful, financial management tool.

RECOMMENDATION 1: FULL UTILIZATION OF INTEGRATED SOFTWARE PACKAGE

We recommend the accountant work with the SA to better understand and become proficient with the MUNIS financial management software. Financial management software is intended to more efficiently track and confirm the financial activities of town departments. With the current

program of daily back-ups by the SA, the risk of losing stored information is minimal. Toward this end, the accountant should persuade and encourage:

- each department to batch its own invoices electronically using the MUNIS purchase order module, and transfer them to the accountant in advance of warrant preparation;
- each department head to fill out the payroll time sheet electronically and transfer it to the accountant to begin the warrant approval process;
- the Treasurer to complete her schedule of receipts electronically and transfer it to the accountant each month;
- each department to enter its annual budget appropriation request directly into the MUNIS budget module and transfer it to the accountant electronically. It can then be incorporated into the annual budget which, once passed, can be uploaded into the town's chart of accounts.

RECOMMENDATION 2: TAKE ADVANTAGE OF EDUCATIONAL RESOURCES

We recommend the accountant continue to attend educational courses and begin to establish contact with peers. Certified educational courses designed specifically for municipal accountants are essential to professional growth. In the case of Oak Bluffs, access to educational resources can only accelerate the current process of on-the-job training for its accountant. With town financial support, the Accountant should continue to seek out opportunities to broaden his knowledge base and to establish relationships with peers. More often than not, a counterpart with experience in another community can provide practical insights into municipal practice that supplement what courses have to offer.

Further, the Government Accounting Standards Board (GASB) has issued new standards for municipal accounting which, for Oak Bluffs, must be implemented by the start of FY03. The Accountant should plan for the implementation, compliance and potential costs of GASB #34 particularly in regard to organizing accounts and inventorying fixed assets. Written materials and on-going seminar opportunities are available from the Government Accounting Standards Board (GASB), from the Government Finance Officers Association (GFOA) and/or from the State Division of Local Services (DLS).

TREASURER

The duties and responsibilities of the town Treasurer, who is appointed by the Selectmen, have been carried out by the Acting Treasurer since January 2001. Building on previous private sector experience in banking and insurance, her role has expanded from Administrative Assistant in 1999, to Assistant Treasurer and now to Acting Treasurer due to the temporary and then abrupt, permanent departure of the prior office holder. Performing all the tasks requisite to the office, it is our understanding that her appointment as Treasurer is forthcoming. The office also includes a full-time, Administrative Assistant to the Treasurer, who has now served in the position for about a year. Both occupy desks in an open office area shared with the Accountant and his Administrative Assistant.

In general, the Treasurer takes charge of all monies collected or received by the town, maintains balances in various accounts, and pays out amounts as directed by vender and payroll warrants approved by the Selectmen to cover town obligations. The Treasurer issues short and long term debt to finance capital projects and to meet other cash needs, invests town funds and moves money between accounts as she oversees the town's cash flow. Documents such as insurance policies, fidelity bonds and deeds are retained by the Treasurer, who also maintains personnel records and tax title account files. In Oak Bluffs, the Treasurer serves as benefits coordinator, as well, with responsibility to maintain records and respond to all employee inquiries concerning health insurance, workers compensation insurance and pensions.

For her cash book, she utilizes a basic Quicken software application. The software allows her to organize and manage 26 cash accounts with sufficient detail to track receipts (as evidenced through departmental turnovers), disbursements (by way of warrants) and transfers between accounts. Through other Quicken features, she can generate an aggregate balance of all accounts which is a reliable indicator of funds available for town operations. She internally reconciles, each month, the Quicken accounts against bank statements and other source documents, and then reconciles her cash balance externally with the Accountant.

With the help of the Administrative Assistant, employee payrolls are adjusted for withholdings and details are forwarded to the Accountant for inclusion in the warrant. However, because employee time sheets are received in hard copy, time consuming data entry of departmental information into the MUNIS payroll module takes place in the Treasurer's office. If each department initially keys the information into the software rather than reduce it to paper, electronic transfer would be immediate, and recording the information would not have to be duplicated in the Treasurer's office. The same could be said about departmental turnovers.

In the administration of tax taking accounts, the Treasurer is burdened by persistent problems that took root prior to her employment in the office. No tax takings have been forwarded from the Collector since FY98, while access to earlier data is stalled in the conversion process from the older Cobol to the newer GUI versions of the MUNIS software. The Treasurer is working

with the Systems Administrator toward removing conversion obstacles and with the Assessors' office toward generating an accurate, up-to-date record of active, foreclosed and redeemed properties. Once complete, appropriate action on the accounts can be initiated.

The town's mishandling of initial borrowing on the wastewater treatment project underscores the importance of debt oversight and maintaining accurate debt records. In addition, it continues to demonstrate the impact borrowing can have on the town's annual cash flow. In this case, temporary borrowing to finance the design and construction of the wastewater treatment plant was inadvertently paid-off, in full, with general fund money rather than with permanent, 20-year financing or with a renewal of the short term bonds. This placed a drain on operational revenues which have been supplemented periodically through a series of additional short-term borrowings. Ultimately, the combined absence of a detailed debt record available to the Treasurer, a person who could have provided advice or guidance, and experience on-the-job allowed the problem to go unnoticed.

RECOMMENDATION 1: ADVOCATE USE OF MUNIS FINANCIAL MANAGEMENT SOFTWARE

We recommend the Treasurer continue to work with the SA to better understand and become proficient with the MUNIS financial management software. The Treasurer should encourage each department head to fill out the electronic payroll time sheets and turnover sheets to eliminate the need to re-key the information. The Treasurer should complete her schedule of receipts within the MUNIS software and electronically transfer it to the accountant each month.

RECOMMENDATION 2 : TAX TITLE PROGRAM

We recommend that the Acting Treasurer initiate a program to reduce tax title accounts. The Acting Treasurer inherited tax title files indicating that over \$1.3 million is due the town in overdue taxes, including interest and fees. However, accuracy of the records is in doubt and an effort is currently underway to identify which properties are active, redeemed or in foreclosure. As the Acting Treasurer also begins to formulate a program to reduce tax titles, we recommend she consider the following options:

- Request an increase over prior appropriations for legal costs to reduce tax title accounts. A well thought-out plan of action supported by an infusion of significant resources may be the only way to maximize collections. It also demonstrates the seriousness and commitment of the board of selectmen and town meeting to the job collecting delinquent taxes.
- Bundle tax title accounts and solicit legal services to pursue foreclosures in Land Court. By bundling accounts and soliciting legal services, the treasurer would attract attorney interest with a substantial compensation agreement. At the same time, the town should realize a cost savings in legal fees through a discounted charge because of the contract size.

- Communicate with taxpayers prior to important dates. The Treasurer should inform a delinquent owner of her intent to file a petition for foreclosure in Land Court which leads to selling the property at auction to recover back taxes.
- Organize tax title accounts into groupings based on land of low value, parcels under single ownership, accounts with bad address and deceased property owners, existing partial payment agreements and all remaining accounts. Tailor a program to pursue each group by the most efficient means available.

RECOMMENDATION 3: CREATE A CASH FLOW PROJECTION MODEL

We recommend the Treasurer create a monthly cash flow projection model. It is the responsibility of the Treasurer to manage the Town's cash and ensure that account balances are sufficient to cover town obligations as they arise. In Oak Bluffs, this task was made more difficult when general fund cash was unavailable for operations because it was diverted to pay-off wastewater debt. However, useful tools are available to the Treasurer that can help her anticipate periods of low cash balances and better manage short-term borrowing.

As a starting point, we suggest the Treasurer work with the SA to explore the availability and suitability of the MUNIS Cash Flow Management system. If the system is not available in the town's MUNIS package or is deficient in some way, then a simple spreadsheet can be devised in Microsoft Excel. The Treasurer can use the town's past experience as a guide to projecting spending and collection trends for the current fiscal year. This information is available from turnover sheets, warrants and from the Accountant in the form of standard revenue and expenditure reports displaying, in part, non-cumulative, monthly activity.

If the revenue and expenditure information cannot be exported directly from MUNIS to Excel, then manual data entry of past monthly totals will be necessary. The result of applying past patterns of monthly spending and collections to current year appropriations, and overlaying projected debt service obligations, should be a reasonable forecast of the town's cash flow needs. Through the course of the year, the cash flow forecast can be adjusted for unexpected circumstances, and actual monthly costs or revenues should replace estimates.

RECOMMENDATION 4: BOND AND DEBT SERVICE SCHEDULE

We recommend the Treasurer maintain a debt record and debt service schedules on Excel spreadsheets. The Treasurer has statutory obligations to report annually to the town accountant and periodically to the Bureau of Accounts (BOA) information relative to the issuance and payment of debt. She has already set-up spreadsheets to track this information and must be certain to include records of the following:

- 1) Debt Service/Long Term - A projection of principle and interest payments over a ten or twenty year period should be maintained and updated annually. This chart should identify the date of issue, the purpose of the bonds, whether or not payments are self-supporting (covered by rates or by taxes). As the chart extends into the future, it would display overall principle and interest obligations by year, and when debt service begins and ends for individual projects.
- 2) 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.
- 3) Debt Schedule (also referred to as "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.

To gather and verify information, the Treasurer should meet with the Town Clerk at the end of each Town Meeting to verify the approval and amount of bonding articles. She should communicate with department heads to learn when capital projects are likely to begin. 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 her debt statements agree with the balance sheet.

RECOMMENDATION 5: TAKE ADVANTAGE OF EDUCATIONAL RESOURCES

We recommend the Treasurer attend educational courses and begin to establish contact with peers. Certified educational courses designed specifically for municipal treasurers are essential to professional growth. In the case of Oak Bluffs, access to educational resources can only accelerate the current process of on-the-job training for its treasurer. The Treasurer should continue to seek out opportunities to broaden her knowledge base and to establish relationships with peers. More often than not, a counterpart with experience in another community can provide practical insights into municipal practice that supplement what courses have to offer.

COLLECTOR

The Oak Bluffs Collector position is a full-time, elective office which has been continuously occupied by the same person since 1989. The current Collector was most recently re-elected in April 2001 to a three-year term after a Town Meeting approved warrant article to change the position from elected to appointed was defeated by the voters in a town-wide referendum. The office carries with it the title of Collector of Accounts, as well, which requires collection of all payments made to the town, not only tax payments. The current staff includes a 30-hour per week Assistant Collector with two years of experience and a full-time clerk with about a half-year on the job. Lost to the office were two employees with five and six years of experience. Although staff have regular responsibilities, each is cross-trained and responds, as does the Collector, to whatever task might need immediate attention.

The volume of payments to the Collector involves approximately 4,671 real estate bills on a quarterly basis and in excess of 6,000 motor vehicle excise bills annually. A relatively high number of personal property accounts (2,193) is directly attributed to the town's large inventory of seasonal residences. First time sewer-related special assessments totaled around 600 and after two years of mailing no bills, the Collector sent about 300 boat excise bills in FY01. In addition to collecting, posting and depositing bill payments, the Collector's office investigates potential refunds and prepares municipal lien certificates. The Collector responds to delinquent real estate taxpayers with demand letters and tax takings, and acts through a Deputy Collector (relative to delinquent excise taxes). Among other records, a receivable control serves an important function as a basis for the reconciliation of receivables internally and then externally with the accountant.

To help accomplish requisite duties and responsibilities, the office has access to the MUNIS financial management software through the town hall network. MUNIS modules specific to the Collector's office include software to handle cash receipts, municipal lien certificates, and tax titles. Efficiencies are also gained through the automatic upload into MUNIS of tax payment information received on disk from tax payment services and on disk from Century Bank pursuant to a one-year old lockbox arrangement. The town contracts-out with Vista, Inc. (Exeter, NH) to print, stuff and mail real estate bills, and with its Deputy Collector for motor vehicle bills. In each instance, a process is in place to check formats, make adjustments and verify that commitments match totals extracted from the bill runs.

Despite technology resources, the office has fallen as much as a year behind in the processing of real estate abatements, tax refunds and municipal lien certificates. Demand letters to delinquent taxpayers were last mailed in FY99, and no tax takings have been initiated since FY98. Receipts are deposited on a daily basis which is a sound practice particularly in the absence of an on-site vault. The Collector maintains a receivable control record, but posting lags behind making it difficult to reconcile receivables with any accuracy. Some of the delay is attributable to the current practice of photocopying checks which are received over-the-counter,

and setting them aside with bills for later posting. However, as lockbox activity increases, payments made at town hall should decline and make posting a more manageable task. According to the lockbox administrator, Century Bank, changes in processing orders can also improve the current payment rejection rate which was 29% for July, August and September 2001.

In fairness to the Collector, the operation of her office has been disrupted in a significant way by circumstances beyond her control. Early-on, the strongest reaction to sick building syndrome in the former town hall were concentrated in the Collector's office and felt by the Collector, who lost personal time due to illness. Ultimately, the building was abandoned and her office, among others, suffered in the move to its current location. Major obstacles were created by the loss of two experienced staff members and compounded when their departure occurred simultaneously with the conversion of MUNIS from the old Cobol version to a new 4GL version. It was also at this time that the use of non-bonded volunteers to process tax payments was terminated.

In an ill-advised decision, the computer software conversion itself was implemented during a deadline-driven triennial property revaluation. And, in the Assessors' office, the CAMA appraisal system was being abandoned in favor of the new Vision software in the middle of a billing cycle. Resulting conversion problems prevented the collector from posting receipts to the new software and precipitated the practice of photocopying all checks received to facilitate later posting. For a period, the staff was dealing with data located on both the new and old versions of MUNIS, but now that the MUNIS is fully installed, checks are still photocopied.

The inherent difficulty of learning new software and even the loss of the office printer amplified frustration levels among staff. At the same time, high payment rejection rates created doubt as to the anticipated benefits of the town's first lockbox. It was later determined that the town's payment rejection rate was directly related to the inability of the older Cobol version of MUNIS to accept so-called "mixed, multiple payments." The problem does not exist with MUNIS 4GL.

Placing an emphasis on looking forward, we offer the following recommendations.

RECOMMENDATION 1: TIME MANAGEMENT AND WORK LOADS

We recommend that the Collector delegate routine tasks to staff and focus on substantive matters. We encourage the Collector to delegate specific areas of responsibility to staff to the extent not already done. While the operation of the office benefits from cross-training and cooperation among staff, assigning sole responsibility for particular tasks clarifies roles and encourages people to work independently. Progress of assignments is more easily tracked and routine tasks are more apt to be completed on a regular basis. The Collector should establish performance timetables, and then review and approve the final work product rather than participate throughout the process of completing the job.

The Collector should work with her staff to schedule time during a day, or more, per week which would be devoted to the completion of regularly assigned responsibilities (i.e., MLC, refund research, posting, deposits preparation). During that time, the second staff person would be first to provide counter service and first to answer the telephone. In this way, each could plan her activities with the knowledge that she had available a scheduled, uninterrupted block of time dedicated to a particular purpose.

The Collector should schedule her time in similar fashion. This would provide undisturbed time when the Collector could return telephone calls, arrange meetings, review staff assignments, complete analyses and otherwise take up tasks which are best accomplished in a quiet environment and over a prolonged period. It would also be an appropriate time for communication and the exchange of information with other financial officers in town hall.

RECOMMENDATION 2: POST PAYMENTS AS RECEIVED

We recommend office procedures for posting tax payments be streamlined. Implicit in the language of MGL Ch. 60, § 2 which directs the collector to pay over to the treasurer (with a copy to the accountant) all money received for taxes and interest is that each turnover identify receipts by applicable year and tax type. Currently, because over-the-counter payments are not immediately posted to the MUNIS software, this level of detail is not known. Receipts are deposited daily and turnovers are completed by the Collector, but in gross amounts. To verify daily collection totals, a tape of the tax bills received is compared to a tape of checks. Photocopies of checks are then made and retained to assist in posting. We understand that the Collector has been successful in reducing the two-to-three month backlog that accrued and encourage her to manage staff workload to make posting remaining collections a priority.

For the future, we recommend that staff post over-the-counter payments into the MUNIS software at the time of receipt. If scanning devices are not available, an additional step, or two, might be necessary to search and retrieve a property account screen at the counter terminal, but, time will be saved in the long run. At day's end, batch reports of receipts generated by MUNIS, in gross and/or by year and type (real estate, personal property, motor vehicle, etc.), is compared to a tape summing the checks to be deposited that corresponds to the batch. If they match, entries are permanently posted, money is ready for deposit, a detailed turnover is prepared, and receipts are recorded in the Collector's receivable control. Unusual items, cash receipts and payments received by mail can be set aside for closer examination, but should still be posted and deposited by the end of the day.

Alluding to our earlier recommendation, a time period at the end of the day, and possibly at mid-day, should be set aside for a staff person to prepare bank deposits and reconcile totals with MUNIS receipt reports. It would be understood that during these periods, the staff person would be relieved of counter or telephone duty. If possible, an area of privacy should be located for the task.

We recognize that the Collector is aware of this procedure and may already have adopted it in the office. Once implemented, the Collector would no longer have reason to photocopy checks.

RECOMMENDATION 3: DEMAND NOTICES AND TAX TITLES

We recommend that the collector act as quickly as possible to initiate and commit to the process of placing properties in tax title. Even in the face of limited resources, there are incentives to pursue delinquent taxpayers and benefits of an effective tax title program. The execution of a systematic and deliberate effort to collect taxes owed is intended not only to recapture revenue, but to establish a clear policy that, in the future, tax delinquents will be aggressively pursued. Firm action early in the process produces a higher recovery rate, which almost always diminishes over time. Through the tax title process, the town's lien on the property is secured and its financial interest is protected.

Administratively, completing tax takings and moving properties into tax title transfers responsibility from the collector to the treasurer for tax collection, leads to the commencement of foreclosure proceedings and, in the interim, applies a higher rate of interest against the amount owed. Finally, there is the issue of fairness. When a property owner fails to pay real estate taxes, the burden to fill the resulting revenue gap is transferred to all other property owners.

As an initial task, the Collector should transfer to the Treasurer a list of known properties placed in tax title, so that she may set up accounts, where necessary, and initiate further proceedings. At approximately \$1,310,773 (as June 30, 2001), tax receivables are high and may increase when more accurate receivable data is developed for FY99, FY00 and FY01. Therefore, the process must continue into the future and will benefit if receipts are posted on a daily basis as the identity of delinquents will be immediately known. However, the task of placing properties in tax title is labor intensive. To help relieve pressure, the collector should devise and commit to a realistic schedule for issuing demand notices and subsequent notices of taking to delinquent property owners. A staff member should be assigned the responsibility to meet schedule deadlines. The town should also consider how it might divert resources to further engage its current tax attorney to assist in the more technical aspects of the process. Ultimately, the effort should be to clear the collector's books of tax receivables in as short a period as possible.

RECOMMENDATION 4: MODIFY LOCKBOX POLICIES

We recommend the Collector authorize Century Bank to process "over and under" and "mixed, multiple" payments as part of its lockbox agreement. With this instruction, the lockbox will accept rather than reject payments where taxpayers' checks are greater than or less than the amount indicated on the tax bill. It will also allow processing of payments where taxes for real and personal property are included in the same taxpayer check. Currently, the town instructions to the lockbox are to reject these payments because the older MUNIS version would not accept them. They have instead been forwarded to the town for manual processing. With the recent software upgrade, MUNIS has the capacity to accept these payments.

All tax receipts including "over and under" and "mixed, multiple" payments would be individually identified in the cash book (hardcopy) report the town already receives and would be automatically uploaded into MUNIS from the disk Century Bank provides.

RECOMMENDATION 5: ABSENT PROGRESS, REVISIT THE ISSUE OF AN APPOINTED COLLECTOR

We recommend the town plan to revisit the issue of converting the elected collector to an appointed position if measurable progress is not evident. Taken together, the recommendations above are an essential part of an overall blueprint for building an efficient and effective Collector's office. When the tasks embodied in our recommendations are poorly implemented, delayed or left undone, not only does the Collector's office fail to function well, but the ability of other finance offices to fulfill their duties is impacted as well. Ultimately, decision makers are denied important information, internal controls do not engage, and residents are left with uncertainty relative to the town's financial standing.

Moving beyond extenuating circumstances, and choosing not to render judgment on any other factors that may have affected the past performance of the office, it is our hope that these recommendations will be initiated immediately and sustained over the long-term. They propose changes to improve current procedures and respond to a reasonable expectation that basic office responsibilities are carried-out in a timely way. If, however, it is apparent over six-to-twelve months that progress has not been made, the town must act decisively. In this event, we would recommend the town address head-on the issue of accountability in government and convert the elected collector to an appointed position.

ASSESSORS

The Oak Bluffs Assessing Department is under the guidance of a three-member board which meets twice monthly. The Board is appointed by the Selectmen to three-year terms, and among the members, two have eight and three years of service. The third position is currently vacant.

The Assessing Department is primarily responsible for placing values on all real and personal property within the town for tax purposes and for maintaining property records. The volume of work for the Assessing Department involves 4,671 total real estate parcels, of which 166 are commercial/industrial, and an additional 2,193 personal property parcels. It commits excise taxes for 6,000-6,300 motor vehicle and 300 boat accounts. The town issues approximately 350 building permits per year, on average, of which 30 or so are for new residential construction. In FY01, the office issued 30 abatement certificates, and 64 exemptions. There are presently no cases pending before the Appellate Tax Board.

Over recent years, the convergence of some unavoidable and some self-imposed circumstances have presented major obstacles in the Assessing Department. Twice, office operations were disrupted by a complete turnover in staff. Over an extended period, little effort was made to secure resources to complete data quality studies ordered by the State Bureau of Local Assessment. Property information was judged so inaccurate that DOR delayed approval of the town's tax rate. Attempts to implement legitimate changes were hampered when the former town hall was literally abandoned due to health hazards forcing personnel to share inadequate space, and were further exasperated by computer conversion problems.

The town of Oak Bluffs and the Board of Assessors have, however, taken positive steps toward reversing this period of staff instability, persistent data quality issues and administrative turmoil. In September, 1999, the Board engaged a professional assessor, as an independent contractor, to serve as Chief Assessor. Devoting three days a week to the job, he manages a full-time, Administrative Assistant who began in FY99, and a part-time Data Collector, whose position was created in FY02. He executes departmental policy set by the Board, but at the same time works closely with the town's Executive Secretary.

During this contract period, which ends in September, 2001, the contract assessor has worked diligently with a capable staff to improve the operations of the office. The department is sufficiently staffed and equipped to effectively maintain ownership records and property data files, to produce regular reports, to process abatements and exemptions, and to provide over-the-counter service to the public. Through the work of the Data Collector, building permit information is regularly received (in hard copy), properties are inspected and record cards in Vision are updated. She also inspects sales every three years in preparation for the state mandated, town-wide revaluation.

The Assessing Department contracts-out its residential property revaluations to Vision and engages Real Estate Research Corporation (RRC) for revaluation of its commercial, industrial and personal property. A property revaluation was recently completed and shows that some properties increased as much as 100 percent in value. Along with new growth estimates, these updated values were incorporated into the town's FY02 Recap Sheet in time to meet the December 31st deadline for tax rate approval in quarterly tax billing communities. Procedures are in place for finalizing tax commitments and reviewing bills prior to mailing. The town engages an out-side vendor (Vista) to print, stuff and mail real and personal property bills, and its deputy collector to do the same relative to motor vehicle and boat excise bills.

To continue the progress that's been achieved in the Assessing Department, other issues should be discussed including the implementation of annual property value adjustments and an on-going cyclical property inspection program. With the likely departure of the town's contract assessor during FY02, staffing needs should be examined.

***RECOMMENDATION 1: INTERIM YEAR PROPERTY VALUE ADJUSTMENTS
AND SALE PROPERTY INSPECTIONS***

We recommend the assessors initiate a program to achieve interim year property value adjustments. The specific meaning of MGL Chapter 59, Section 2A is that all properties must be at fair cash value as of January 1 of each year. In its certification of fair cash value, the state reviews each town's assessments every three years. In practice, not all communities adjust property values each year, although there are reasons to do so.

Through interim year valuation adjustments, the town satisfies requirements that properties be at fair cash value each year and also maintains accurate value relationships among properties and neighborhoods. In addition, the potential for a steep rise in taxation between three year intervals is replaced with smaller, more palatable annual changes. In a declining market, dramatic value changes typically lead to an increase in abatement applications and strain overlay reserves as homeowners seek relief from high taxes based on high assessed values set three years earlier. Even if downward, smaller annual adjustments, tend to ease the transition and remove homeowner incentives to seek abatements. For a community like Oak Bluffs there is the further risk of volatility in property values due to its character as a seasonal community. Slight shifts in economic conditions can have a more pronounced impact on demand, and therefore value, than in other cities or towns.

Annual adjustments are achieved through an analyses of market value trends that emerge from the regular inspection of real estate sales each calendar year. The inspection of sales can be completed in-house much the same way that building permit inspections are conducted. In the case of Oak Bluffs, consideration should be given to the possibility of expending the hours of the current Data Collector to accomplish sale inspections.

RECOMMENDATION 2: CYCLICAL PROPERTY INSPECTION PROGRAM

We recommend the Assessors implement a cyclical, measure and list property inspection program. By committing money for a Data Collector, albeit for the limited purpose of building permit and sales inspections, the Assessors have taken a significant step toward improving the quality of information within property account files. To further ensure fair and equitable assessments, we underscore the recommendation of BLA dating back to 1996 that a cyclical property inspection (measure and list) program be implemented. In its guidelines to cities and towns, BLA strongly recommends that a "measure and list" program be completed once every nine-to-twelve years. Oak Bluffs last completed its measure and list program in 1990. For most typical communities, these programs require a minimum of five years.

According to national studies conducted by the International Association of Assessing Officers, the number of property inspections that can be completed in a day typically falls in the range of 16-20 single family homes, 5-10 apartment buildings, 5-10 commercial buildings or 4-6 agricultural parcels. In almost all instances, annual inspections of sale and building permit properties are incorporated into a measure and list program. In this context and under its current staffing, we recommend the Assessors' explore the possibility of expanding the hours of its Data Collector to add "measure and list" inspections with the intent to complete the program in five-to-seven years.

RECOMMENDATION 3: FUTURE STAFFING AND EDUCATIONAL RESOURCES

We recommend that the Assessing Department staffing include two, full-time and one part-time position. With the current Administrative Assistant and Data Collector, the opportunity exists to establish some personnel continuity within the office. It is also our understanding that the Administrative Assistant is under consideration to fill the role as Chief Assessor in the expectation that the contract assessor will depart some time during FY02. In any event, given the real estate activity within the town and demands on the office, we recommend the Assessors maintain a staffing level that would include a full-time Chief Assessor, full-time Administrative Assistant and part-time Data Collector.

We recommend the Administrative Assistant attend educational courses and begin to establish contact with peers. Regardless of future roles, certified educational courses designed specifically for municipal assessors and staff are essential to professional growth. In the case of Oak Bluffs, access to educational resources can only accelerate the current process of on-the-job training for the Administrative Assistant and better train her to take on expanded responsibilities. The Administrative Assistant should seek out opportunities to broaden her knowledge base and to establish relationships with peers. More often than not, a counterpart with experience in another community can provide practical insights into municipal practice that supplement what courses have to offer.

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Russell Rogers, Chair, Finance and Advisory Committee
Warren Rutherford, Interim Executive Secretary
Ronald Rappaport, Town Counsel
Marguerite T. Cook, Collector of Taxes/Accounts
Thomas E. Wilson, Accountant
Susan Greenlaw, Administrative Assistant to Accountant
Donna Michalski, Treasurer
Shelley Carter, Administrative Assistant to Treasurer
Paul J. Asher, MAA, Contract Assessor
Dianne Wilson, Assessors' Administrative Assistant
Sarah Lolley, Data Collector, Assessors' Office
Deborah Willoughby, Computer Systems Administrator
Deborah deB. Ratcliff, Municipal Clerk
Casey Sharpe, former Executive Secretary
Josh Williams, Marina Manager
Todd Alexander, Harbormaster