



Town of Oakham

Review of Assessing Office

Municipal Data Management and Technical Assistance Bureau
July 2003

INTRODUCTION

At the formal, written request of the Town of Oakham's Board of Selectmen on behalf of the Oakham Board of Assessors, the Department of Revenue's Division of Local Services (DLS) has completed a review of the Town of Oakham's Assessing Department.

We have based our findings and recommendations on site visits by a technical assistance team consisting of staff members from the Division's Municipal Data Management & Technical Assistance Bureau (MDM/TAB) and Bureau of Accounts (BOA), and in consultation with the field representative and deputy bureau chief of the Bureau of Local Assessment (BLA) and staff members from the Division's Information Technology (IT) Section. During these visits, the team interviewed members of the board of assessors, tax collector, and administrative assistant. Other local officials including the accountant and treasurer were interviewed by phone.

The town's request was prompted by recent organizational conflict and a breakdown of communication in the assessing office. Therefore the purpose of this review is to provide insight to town officials on the future structure and office operating priorities of the town's assessing office. We have focused on the organizational structure, office procedures and records as well as compliance with statutory and DLS requirements. 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.

EXECUTIVE SUMMARY

The town of Oakham has a population of about 1,700 people and is located in central Massachusetts 18 miles west of Worcester and 56 miles west of Boston. Rutland and Paxton border it on the east, Spencer on the south, New Braintree on the southeast and Barre on the northwest. Oakham covers about 21 square miles in the rural hills of Worcester County.

The Oakham assessing office is responsible for maintaining assessment data on approximately 900 real estate parcels, 200 personal property accounts, and 2,000 motor vehicle excise accounts. In addition, the office processes approximately 10 abatements, 25 exemptions, 45 building permits, and 75 deed changes annually. The office consists of a part-time, three-member elected board that meets biweekly. The board members serve staggered, three-year terms. Each member of the board of assessors receives a stipend fixed by annual town meeting (MGL Ch. 41 §108). With the approval of town meeting, two of the board members also perform additional duties of the office (MGL Ch. 41 §4A and Ch. 268A §21A), serving as the working assessor and the office clerk. To compensate these members for the additional duties, town meeting annually appropriates \$14,000 for part-time salaries and approves fixed hourly rates of pay for the two office positions.

The working assessor has been a board member for about 16 years and for the past eight years has been appointed to perform additional duties in the office. She works about seven hours per week and is responsible for maintaining the town's assessment records and determining residential property values using the Community Software Consortium (CSC) computer assisted mass appraisal (CAMA) system. There is one stand-alone computer terminal in the office which has Microsoft Office applications in addition to the CAMA system. The working assessor performs some fieldwork, data enters property information and sketches on the CAMA system, and compiles property tax commitments. She also determines the annual overlay amount and reconciles the overlay accounts with the accountant.

The office clerk position was created in FY02. The office clerk works approximately eight hours per week and her responsibilities are as delegated by the working assessor. The office clerk processes real property and motor vehicle abatements and exemptions, prepares monthly abatement reports for the accountant and collector, performs administrative tasks, handles public inquires, and provides general office coverage.

This office structure worked well until July 2002 when the board of assessors reorganized. At that time, the office clerk/board member was elected to the position of chairman. As chairman, she believed that she should serve as the department head, signing the payroll sheets and overseeing the daily activities of the assessing office. The organizational structure with elected board members working together in the office with one of them elected as chairman of the board created confusion. As a result, a difference of opinion formed between the board members.

This difference of opinion lead to personality conflicts to the extent that it negatively affected the operations of the office. Reportedly, the working assessor and the office clerk stopped communicating with each other and refused to work any overlapping hours in the office. In addition, each failed to report their office activities to the board as a whole. For example, the office clerk was

accompanying the building inspector on final inspections of properties. She took notes regarding each parcel and put the notes in a file in the office. She never let the working assessor or the board know about these proceedings. More importantly, she did not compare the information she collected against the property record cards; therefore, current information and/or changes were never entered into the CAMA system.

As previously mentioned, the town uses the CAMA system to maintain property record information and generate values. All of the board members have attended training for the CAMA system, but the working assessor is most knowledgeable and is responsible for managing the system. The access to and use of this system added another dimension to the growing conflict in the office in November 2002. As the working assessor was finalizing the property values in order to set the FY03 tax rate, she discovered discrepancies in the parcel and value totals. Unable to locate the problem, she requested assistance from DLS' IT Section. A DLS IT staff person ran a series of reports, narrowing the scope of the problem. As it turns out, the office clerk created a duplicate account of her property and made various changes in order to practice using the CAMA system. Unfortunately, she did not delete the practice account, did not inform the other board members of her actions, and caused a delay in setting the tax rate. As a result, the working assessor requested that DLS' IT Section change the office clerk's CAMA access to "read only" until the bills were sent out. Later, the office clerk, as chairman of the board, requested that DLS' IT Section reinstate her full access to the CAMA system. They complied however, because of the critical nature of the data and the clerk's lack of proficiency on the system, the working assessor, as the systems' administrator, reversed the office clerk's access back to "read only," enabling her to use the system, but not change values.

In November 2002, the board tried to reorganize and voted the non-working member as the chairman. However, DLS' legal counsel advised that the board could only reorganize after the election of officers (MGL Ch. 41 §24). Therefore, the office clerk remained the chairman.

In a last effort to address the growing conflict, the working assessor devised job descriptions based on examples from other communities to clarify the office responsibilities of the working assessor and office clerk. Only two of the three board members voted to adopt the job descriptions, the chairman/office clerk did not take part in the vote. According to MGL Ch. 268A §19, municipal employees, including elected officials, are generally prohibited from participating in matters that affect their own financial interest¹. For that reason, the job descriptions of the additional office duties as working assessor and office clerk need to be formally approved by town meeting or its designee. DLS advised the town to contact the Ethics Commission on this matter. The selectmen opted not to present job descriptions of the working assessors' duties to town meeting and did not include the annual articles authorizing their additional compensation on the town warrant. Instead, the selectmen advised the assessors to advertise and hire an assistant assessor for the office, using the \$14,000 in the FY04 budget to fund the position.

The assessor serving as office clerk was not re-elected in May 2003 and she no longer works in the office. The assistant assessor position was advertised and the town has had one inquiry but has not been able to fill it. Realizing that the assessors will be responsible for running the office and

¹ For further information, the town should contact the State Ethics Commission at <http://www.state.ma.us/ethics/>.

generating the FY04 values but not compensated for their time, the board resigned on June 30th, leaving the entire board and office vacant.

Because of the conflicts that were interfering with assessing office functions, the board of assessors and the selectmen requested that DLS conduct a management review of the one office. During the review, we met with local officials and discussed the conflicts and their impact on the assessing office as well as the town as a whole. We also reviewed town documents and observed operations in the assessing office. In the report that follows, we address the current vacancy of the assessing office as well as a number of operational and computer issues that the town needs to address immediately and in the long-term.

A summary of our findings and recommendations begins below, followed by a more detailed discussion.

General Operations (page 6) – The conflict in the assessing office over the past year caused the selectmen to reject placing the articles on the town meeting warrant that authorize the appointment of working board members in the office. They advised the assessors to hire a part-time assistant assessor. However, on June 30, 2003 the entire board of assessors resigned. We recommend that the selectmen appoint three individuals to serve as the board of assessors as soon as possible. We recommend that the newly appointed board hire a consultant to perform appraisal work, conduct inspections and maintain the CAMA system or if possible, hire a qualified person to serve as assistant assessor.

During our review, we found that operations in the assessing office have been inconsistent over the past several years. The last comprehensive, community-wide inspection or “full measure and list” was completed by an outside contractor in 1987. The assessors inspected parcels for which building permits were issued and many, but not all property sales. The board annually performed an exterior full field review of parcels, but did not regularly inspect interiors of properties as part of a cyclical inspection program. We recommend that the assessors conduct a data quality study immediately. The results of the data quality study and a re-inspection plan should be submitted to BLA for review, preferably before setting the FY04 tax rate or planning begins for the FY05 revaluation. We also recommend that the assessors annually inspect the interior and exterior of all sale properties.

Additionally, we found that parcel acreage totals on the property record cards match the assessors’ maps, but they did not necessarily match the deeds on file in the office. We recommend that the assessors compare the deeds to the property record cards and maps to identify any discrepancies. We also found that the full values of certain properties were not recognized on the FY02 and FY03 commitments and that the tax bills are printed before the commitment. Had the assessors caught these errors in a timely manner, they could have issued revised assessments. Therefore, to check the property values, we recommend that the assessors print and review the commitment before printing the tax bills.

We found that one board member was signing motor vehicle excise abatements for all three members without authorization. We recommend that in the future, the majority of the board affix original signatures to the record of motor vehicle abatements.

CAMA System (page 11) - The former working assessor was the only person in the assessing operation with full access to the CAMA system and its functions. The other former board members had limited skills on the CAMA system and because of computer problems experienced in November 2002, the former working assessor limited their CAMA access to “read only.” In addition, the assessors have not maintained on the CAMA system the dates properties were last visited, measured, and/or entered. We recommend that one person and if possible more than one person in the assessing office be trained on and be competent to have full access to the CAMA system. We also recommend that the assessors consistently input the dates a property was last visited, measured, and/or entered in the CAMA system in order to keep a current database and help plan cyclical re-inspections.

Long-term Recommendations (page 12) - During our review, we found that Oakham currently adjusts its values only for recertification purposes every three years. However, beginning in FY05, all communities will be required to submit an annual filing of the “Interim Year Adjustment Report” to BLA, showing the community has done a review to determine whether adjustments are warranted. Therefore, we recommend that the assessing office begin analyzing local real estate market conditions annually and make changes in the assessed values of all properties as necessary.

The town of Oakham issues tax bills semi-annually and three times in the last ten years (two of which were revaluation years) has set its tax rate in December. As a result, the tax bills were issued late. In addition, the town has to borrow short-term for cash flow purposes annually. Therefore, we recommend that the town consider adopting quarterly tax billing which will give the assessors additional time to finalize values and set a tax rate while guaranteeing that the town has an adequate cash flow.

Also during our review, we found that because of limited space in the assessing office, many of the office files are kept in boxes. We recommend that the assessing staff free up additional office space by disposing or archiving antiquated records.

SUMMARY OF REPORT FINDINGS AND RECOMMENDATIONS

1. General Operations (page 6) – Address the Office Vacancy
2. General Operations (page 7) – Inspection of Properties
3. General Operations (page 8) – Reconcile Deed and Map Information
4. General Operations (page 9) – Review Commitment Before Printing Tax Bills
5. General Operations (page 9) – Seek Permission to Assess to Owners Unknown
6. General Operations (page 10) – Records of Abatement
7. CAMA System (page 11) – Expand Access to the CAMA System
8. CAMA System (page 11) – Utilize CAMA Fields
9. Long-term Recommendations (page 12) – Perform Interim Year Adjustments
10. Long-term Recommendations (page 12) – Consider Quarterly Tax Billing
11. Long-term Recommendations (page 13) – Office Records

GENERAL OPERATIONS

FINDING 1: ADDRESS THE OFFICE VACANCY

Historically, the Oakham Assessing Office has had an elected three-member board of assessors of which one member served as the working assessor responsible for the daily operations of the office. A second board member was appointed as office clerk in FY02 to help with the growing workload. This organization worked well until FY03 when conflicts erupted between the two members working in the office. This is often the case when board members of equal status serve in a dual role that places one in authority over the other. It was the opinion of some that if one of the contentious assessors were to leave, then the problems would cease. However, there is no guarantee of that because future office holders could again fall into the same circumstances because of the inherent conflict in this organizational structure.

In an effort to stem the conflict, the selectmen did not place an article on the town meeting warrant to authorize the appointment of working board members in the office. Instead, the selectmen advised the assessors to hire a part-time assistant assessor (18 hours per week) for FY04. The requirements for the advertised position are that the candidate have a minimum of three years of assessment administration experience, be actively pursuing a Massachusetts Assessors' Association (MAA) designation, and be familiar with a CAMA system. As of this writing, the town has had one inquiry but has not been successful in hiring anyone yet and is considering lowering the minimum qualifications or hiring a consultant to perform the duties. Meanwhile, without staff to perform the work and unwilling to do the work themselves without additional salary, the entire board resigned on June 30, 2003, leaving the board and office vacant.

RECOMMENDATION 1: ADDRESS THE OFFICE VACANCY

We recommend that the selectmen appoint three individuals to serve as the board of assessors as soon as possible. These individuals will be appointed to serve until the next election, at which time the positions will be elected. During this interim period, the board will have to perform inspections, receive training to use the CAMA system, generate values and set a tax rate. In order to set the FY04 tax rate, the majority of the board will be required to take DOR's Classification Workshop at a minimum. If at the next election, the appointed board members are elected, they must complete and pass Course 101 within two years of their original appointment date. During their tenure, they will also have to begin the FY05 revaluation (see Finding 2: Inspection of Properties below). We realize that the new board may or may not have assessing experience and that these requirements seem daunting. Therefore, we recommend strongly that the assessors seek the funding to hire the professional assistance necessary to set assessed values and the FY04 tax rate. This assistance may come in the form of an appraisal consultant or an assistant assessor that would be a town employee.

We recommend that the newly appointed board hire a consultant to perform appraisal work, conduct inspections and maintain the CAMA system. The cost of such a contractor will depend on what the board is able to perform in-house and the scope of services they expect of the consultant. If the board hires a consultant to generate the FY04 values and perform a data quality study (see Finding 2:

Inspection of Properties below), it will cost approximately \$10,000 based on the number of parcels in Oakham. However, it may cost more if additional work is required of the consultant based on the results of the data quality study and because of time constraints. Under such an arrangement, the board will still have to monitor the activities of the consultant and closely review the work products to ensure that it is done accurately, to their satisfaction and follows state guidelines. To fund such a contract, the board should seek town meeting action to transfer funds to a contractual expense line item because a consultant cannot be paid out of the current salary line. Because of the immediate need for contractual services, the town will have to make interim funding available until funds can be appropriated at town meeting. It should also be noted that a consultant generally does not provide office coverage and may not handle all the office administrative duties of the clerk. For office coverage and administrative activities not handled by the consultant, the board will have to assume these responsibilities or hire a part-time clerk with available funds. However, another alternative available to the board is to hire an experienced assistant assessor immediately to complete the data quality study and FY04 valuations.

We recommend that the newly appointed board attempt to hire a qualified person to serve as assistant assessor. According to MGL Ch. 41 §25A, only the board of assessors may appoint and if necessary, remove assistant assessors barring any special charter provisions. It has been suggested that the town may reduce the preferred qualifications to that of a clerical position in order to hire someone given the current hours and salary. We caution the community against this. The resulting individual will not be able to perform the necessary appraisal and computer work, potentially placing the town's ability to finalize its FY04 values, have its new growth approved and set a timely tax rate at risk. If the board hires an experienced assistant assessor immediately, they may not need consulting services until work begins for the FY05 revaluation.

FINDING 2: INSPECTION OF PROPERTIES

According to the former working assessor, an outside contractor completed the last comprehensive, community-wide inspection or "full measure and list" in 1987. Since that time, the assessors inspected parcels for which building permits had been issued and many but not all of the property sales². The board performed an exterior full field review of all parcels annually to verify the basic information on property cards is accurate and that any detached structures are noted, and they updated the residential property values triennially. Every six years, the town contracted with an outside consultant to update the commercial property information and values, which was last performed in FY02. The assessors did not regularly inspect interiors of properties or verify measurements as a part of a cyclical inspection program.

According to the Bureau of Local Assessment's (BLA) *Guidelines for Development of a Minimum Reassessment Program*³, the collection and maintenance of current and accurate property inventory data is a critical element in the development of uniform, fair market values. The recollection of property data may be done all at once in one year or a community can plan a periodic, cyclical inspection program. A cyclical inspection program involves completing an interior and exterior

² The town reports it has about 35 property sales and 45 building permits annually.

³ These guidelines were updated in January 2003 and may be found on the Division's website at www.dls.state.ma.us/publics.htm.

inspection of all town properties over a multi-year period. Such a program enables the assessors to maintain accurate property data by continually re-inspecting all property to verify and update existing data. In addition, maintaining current property data may have the direct benefit of reducing the number of abatement requests. By performing ongoing inspections, the town spreads the cost of a potentially expensive program over several years. It also makes the workload more manageable so town personnel can do most of the work, reducing the need for consulting assistance.

Also according to the *Guidelines for Development of a Minimum Reassessment Program*, each parcel should be inspected at least once every nine years and if six to nine years have passed since the last property inspection program, a shorter initial inspection cycle may be called for. Because it has been 16 years since Oakham's last full measure and list of parcels, it is advisable to conduct a data quality study to determine what type of inspection program will be necessary to meet certification requirements in FY05. A data quality study is an examination of two to five percent of the properties in each class selected at random. These representative properties would be inspected (interior and exterior) and compared to the available data, evaluating the accuracy of property data. The results are then analyzed and data collection priorities identified. Based on the study results, the assessors may be required to conduct an inspection program immediately or they may be required to complete it over a couple years.

RECOMMENDATION 2: INSPECTION OF PROPERTIES

We recommend that the assessors ensure that a data quality study is conducted immediately and submit the results along with a re-inspection plan to BLA for review. The board should hire a consultant to complete this before the FY04 tax rate is set or the board begins planning for the FY05 revaluation. Depending on the results, BLA may require the town to perform a full measure and list for the next revaluation in FY05 or allow the town to extend the inspection program over a longer timeframe. The sooner the town completes and submits the study, the more time Oakham will have to address the situation, including possibly seeking additional resources and/or outside assistance. Once a full measure and list is completed, the assessors should then institute a cyclical inspection program over a six to nine year period.

We recommend that the assessors annually inspect the interior and exterior of all sale properties.

One of the primary jobs of an assessor is to determine the fair market value of parcels accurately. Since recent sales represent the most current data regarding the local real estate market, it is crucial that the assessing office have first hand knowledge of the characteristics and condition of sale properties. Often, a sale property may have been upgraded without a permit or allowed to deteriorate to an extent that the assessors' files are not accurate regarding the characteristics or condition of the property. Not being aware of the exact condition of sale properties negatively affects the assessors' ability to value other properties accurately.

FINDING 3: RECONCILE DEED AND MAP INFORMATION

During our review, we found that the parcel acreage totals on the property record cards match the assessors' maps, however they did not necessarily match the deeds on file in the office. All property record and map information should reflect what is reported on the deeds.

RECOMMENDATION 3: RECONCILE DEED AND MAP INFORMATION

We recommend that the assessors compare the deeds to the property record cards and maps for accuracy. If there are any discrepancies, the assessors should search at the Registry of Deeds and make sure they have the most current deed on file. They should then review their files and investigate if any deed changes were reported to the mapping company. Otherwise, the assessors should contact the mapping company to inquire if they determined different acreage totals based on the property descriptions in the deed.

FINDING 4: REVIEW COMMITMENT BEFORE PRINTING TAX BILLS

During the FY02 revaluation, the assessors hired a consultant to update the town's commercial property values. The assessors approved the new values and the former working assessor entered the data into the CAMA system. However, it appears that the full value of certain properties was not recognized on the FY02 property commitment. For example, the consultant determined a new value of \$2,058,700 for a property that was undervalued in FY01 at \$537,750. The board approved the new value and it was correct on the CAMA cost valuation report but was not reflected on the FY02 commitment. The commitment displayed a value for the property of \$632,500. In another example, a property had a value in FY02 of \$2,138,900, however the FY03 commitment showed a value for the property of \$1,941,500 that the assessors claim they did not change. In both examples, the assessors cannot explain why the correct values were not reflected in the commitments. Had the assessors caught these errors in a timely manner, they could have issued revised assessments no later than June 20th or 90 days from the date which the tax bills were mailed, whichever is later (MGL Ch. 59 §75 & §76).

The assessors further reported that the board has no procedure to review the commitment before finalizing it and printing the tax bills. Reviewing the commitment before printing the bills enables the board to identify potential errors that may be investigated and corrected quickly. In the CAMA system, the assessors may run a "value finalization report" that compares the prior years values against the current ones, breaking out the building and land values and presenting the dollar and percent changes for both. From this report, the assessor can review the changes, identifying those that are the result of building improvements, cyclical inspections, deterioration, as well as flag those that may require further review or investigation.

RECOMMENDATION 4: REVIEW COMMITMENT BEFORE PRINTING TAX BILLS

We recommend that the assessors review the commitment before printing the tax bills. It is important that the assessors check the property values on the commitment before the tax bills are printed and mailed so taxpayers receive bills for the correct assessed values of their property. Reviewing the commitment also helps the town avoid inadvertently over or under assessing someone, which could lead to an abatement or loss of tax revenues, respectively.

FINDING 5: SEEK PERMISSION TO ASSESS TO OWNERS UNKNOWN

From time to time, assessors may discover a parcel for which – despite a diligent search of deeds, planning documents and assessment records – they cannot determine the owner of record. In this

case, MGL Ch. 59 §11 provides that an assessment on the property may be made to persons unknown with authorization from the Commissioner of Revenue.

In the town of Oakham, there were three parcels assessed to “owners unknown” in FY02, two of which are in tax title. During FY03, the assessors performed a thorough review of available records, located, and confirmed the ownership of one of the parcels in question. Because this parcel is in tax title, the assessors have notified the collector of the correct ownership. The collector will have to disclaim the taking and the assessors will have to reassess all years’ uncollected taxes to the correct owner.

For the two remaining parcels, the town has never requested authorization of the Commissioner of Revenue to assess to owners unknown. Any assessment or tax taking to owners unknown without the approval of the Commissioner of Revenue is not valid.

RECOMMENDATION 5: SEEK PERMISSION TO ASSESS TO OWNERS UNKNOWN

We recommend that the assessors seek permission to assess taxes to owners unknown. When assessors are unable to determine the identity of the owner of a parcel, they should write to the Commissioner of Revenue requesting his authority to make the assessment on that property to “owners unknown.” The assessors should provide with their request an account of their attempt to determine who the owner is. Their attempt should include a search of the records at the registry of deeds. Once having received permission to assess to owners unknown, the collector should disclaim the other “owners unknown” tax taking and the assessors should reassess the prior years’ taxes that were improperly assessed. With clear authority to assess to owners unknown, the town may come to obtain title to the property through the foreclosure process.

FINDING 6: RECORDS OF ABATEMENT

During our review, we found that one board member was signing motor vehicle excise abatements for all three members with the permission of the other members. It is DLS’ legal opinion that the record of motor vehicle abatement must be signed by a majority of the board and each member must sign on behalf of him or herself.

RECOMMENDATION 6: RECORDS OF ABATEMENT

We recommend that in the future, the majority of the board affix original signatures properly to the record of motor vehicle abatements. General Law does not provide the authority of one board member to sign the other members’ signature on these abatements.

CAMA SYSTEM

FINDING 1: EXPAND ACCESS TO THE CAMA SYSTEM

The former working assessor was the only person in the assessing operation with full access to the CAMA system and its functions. Because of the other former board members' limited skills on the CAMA system and computer problems experienced in November 2002, the former working assessor limited their CAMA access to "read only." This enabled them to search for information and run reports, but they could not change values. It was the former working assessor's opinion that because the CAMA system has critical information necessary to generate values and in turn produce the largest revenue source of the town, it needed to be safeguarded carefully. Unless someone was well versed in the CAMA system, the user could create a problem that may go undetected or delay the issuance of the tax bills. However, the former office clerk contended that as a board member she should have had full access to the CAMA system.

RECOMMENDATION 1: EXPAND ACCESS TO THE CAMA SYSTEM

We recommend that the assessors make every effort to have at least one person and if possible more than one person in the assessing office trained on and competent to have full access to the CAMA system. It is vital that the assessors have one person in the assessing operation with knowledge of the CAMA system and access to all of its functions whether it is a board member or staff person. If, for any reason the sole person with knowledge of the system left office, the town's assessing operations could be impacted severely.

FINDING 2: UTILIZE CAMA FIELDS

The assessors do not consistently record in the CAMA system the date a property was last visited, measured, or entered. The CAMA system has the fields "visit date," "measure date," and "entrance date" that have not been used consistently. Consequently, the office has no way of knowing when a property was last visited and for what purpose.

RECOMMENDATION 2: UTILIZE CAMA FIELDS

We recommend that the assessors consistently enter the visit, measure and entrance dates of properties in the CAMA system. Entering the dates into these fields will be helpful to the assessors for analysis purposes and will help with planning inspections for the cyclical re-inspection program.

LONG-TERM RECOMMENDATIONS

FINDING 1: PERFORM INTERIM YEAR ADJUSTMENTS

MGL Ch. 59 § 2A requires that all properties be at full and fair cash value as of January 1 of each year. BLA certifies that a community's property valuations are at full and fair cash value every three years. The assessors may undertake and complete a valuation adjustment program based on a detailed analysis of sales data and income and expense statements in the years between the required triennial recertification. This is called an interim year adjustment. Failure to make interim year adjustments that reflect changes in the market may cause inequities among property classes. When values are not annually updated and there is an appreciating real estate market, taxpayers are often shocked when their community is recertified in the third year. Interim year adjustments are also important when there is a depreciating market with sale prices declining. Communities could potentially lose property tax revenue due to abatements.

Like some communities, Oakham currently adjusts its values only for recertification purposes every three years. However, beginning in FY05, all communities will be required to submit an annual filing of the "Interim Year Adjustment Report," showing the community has done a review to determine whether adjustments are warranted.

RECOMMENDATION 1: PERFORM INTERIM YEAR ADJUSTMENTS

We recommend that the assessing office begin analyzing local real estate market conditions annually and make necessary changes in the assessed values of properties. By carefully monitoring changes in the market and promptly reflecting them in the annual valuation base, the assessing office may ensure equity between and among property classes.

FINDING 2: CONSIDER QUARTERLY TAX BILLING

The town of Oakham issues tax bills semi-annually and generally sets its property tax rate by November. However, three times in the last ten years the town has set the rate in December with FY02 (December 18, 2001) being the latest year due to a revaluation. According to officials, it takes one to two weeks to produce and stuff the tax bills for mailing. At least three times in the past ten years first half tax bills have not been due until January rather than the optimum November 1st due date.

When the tax bills are issued late, the treasurer typically has to borrow about \$100,000 for two to three months from the stabilization fund for cash flow purposes. No efforts have been made to compensate the stabilization fund for lost interest. In addition, the town of Oakham has a compensating balance agreement with the bank. Under this arrangement, Oakham does not pay fees for banking services unless a minimum balance is maintained at which time the fees are netted from the town's interest earnings. In FY03, the treasurer estimates the town incurred about \$400 in banking fees because of the late tax bills.

Local acceptance of MGL Ch. 59 §57C allows a city or town to send out property tax bills on a quarterly basis. A growing number of communities are shifting to the quarterly billing cycle with

payments due on the first of August, November, February and May. With collections occurring four times per year, rather than two, the town has access to its property tax revenue earlier in the year. Quarterly billing allows a community to collect property tax revenues and to meet cash-flow demands and provide opportunities for increased investment income. This is of particular benefit to cities and towns that experience cash shortages throughout the course of the fiscal year necessitating short-term borrowing. The increased cost associated with quarterly billing is in the extra staff-hours needed during two additional tax collection periods. The cost for postage would remain the same and printing would increase only slightly as two quarterly bills could be sent in one envelope twice per year.

RECOMMENDATION 2: CONSIDER QUARTERLY TAX BILLING

We recommend that the town consider adopting quarterly tax billing. Quarterly tax billing represents sound financial practice for any community. It gives the assessors additional time to finalize values and set a tax rate while guaranteeing that the town has an adequate cash flow. For Oakham, it has the general benefit of enhancing revenues and ensuring ample cash flow, especially because property taxes are certainly the most significant town revenue source. There may be some increased administrative costs in the assessors' and collector's offices, but the increase in investment income using the quarterly tax payment system may offset these costs. The town should perform a cost analysis to determine the potential cost savings available to the town if it converts to quarterly tax billing.

FINDING 3: OFFICE RECORDS

The assessors' office space is one room in town hall with two desks and two tables. One of the tables is for public viewing of property record cards and maps. The maps are updated annually and the base maps were updated in 1986 and correspond to the last community-wide inspection of properties completed in 1987. There are several filing cabinets in the office but there are also records stored in boxes. Many of the records are essential and permanent records while others – budgetary documents dating back to the early 1990's and abatement applications – are informational. The office is not aware of the disposition schedule of its records and has not made any request of the Secretary of State's Office to destroy anything.

RECOMMENDATION 3: OFFICE RECORDS

We recommend that the assessors free up additional office space by disposing or archiving antiquated records. The assessing staff should first inventory the files to determine which records are complete or are missing. The assessors should be aware that this could be a lengthy process and therefore we recommend it as a long-term recommendation. The Secretary of State's office publishes a disposal schedule for assessors' offices that can be found on their website at <http://www.state.ma.us/sec/>. The assessing office should use this schedule as a guide for disposing of records.

ACKNOWLEDGEMENTS

This report was prepared by
The Department of Revenue, Division of Local Services

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In preparing this review, DLS interviewed the following persons:

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Kathleen Usher, Board of Assessors and Working Assessor (former)
Susan Carpenter, Tax Collector
Donna Couture, Town Accountant
Edna Holloway, Treasurer
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