



*Town of Orange*

# *Financial Management Review*

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*Municipal Data Management and Technical Assistance Bureau*

*November 2004*





## ***Introduction***

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At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the Town of Orange.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, the finance committee, the town accountant, treasurer, collector, board of assessors, fire chief and water department superintendent, as well as other staff members, as available, in each office.

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

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

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

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## ***Executive Summary***

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Located in central Massachusetts near the New Hampshire/Vermont border, the Town of Orange may best be known as the home of Jumptown, a premier skydiving organization and destination point for adventurers across the United States. With a population hovering around 7,500 and an annual budget of \$16.1 million (FY03), Orange is a small to medium-sized town. Between Jumptown, some remaining manufacturing, antiques opportunities, and the scenic quality of the area, the town has a reasonably sustainable economy.

However, it is also a modest economic base that does not return the town to its golden era. Over time, Orange has gone the way of most New England mill towns, and continues to struggle in its search for new sources of revenue.

One growth area appears to be the real estate market, which has begun to attract an increasing number of residents who are looking for affordable property. Despite the long commute, more and more professionals who work in Worcester, Boston and employment centers along Interstate 495 and as far east as Route 128 are relocating to Orange.

This new population has not yet had a demonstrable economic impact. At \$41,075, Orange's 2002 Equalized Valuation (EQV) per capita, a measure of community wealth based on real estate values used by the state in various state aid formulas, ranked 335 out of 351 communities in the Commonwealth. No measure of income – 1999 Income per capita, Median Household Income or Median Family Income – ranks higher than 332. Orange is one of the poorest towns in Massachusetts.

Until the last couple of years, the town's economic condition was also fairly stagnant in comparison to the rest of the Commonwealth. According to the US Census, the Median Household Income for Orange increased 18.3 percent from 1990 to 2000 in comparison to the state average, which moved up 26.4 percent. Total EQV rose only 10.8 percent from 1990 to 2002, versus the statewide increase of 63.9 percent. Not surprisingly, the total assessed value of all property in the town increased a nominal 1.51 percent annually, on average, over the same period. At \$1,909 for FY04, the town's average single-family tax bill was only 66.0 percent of the state average (\$2,894), and ranked 307<sup>th</sup> in Massachusetts. In fact, in the last ten years, it has ranked no higher than 294<sup>th</sup>.

With the release of the proposed EQV for FY04 and the new revaluation numbers for FY05, the town is seeing a spark in property values and development. From FY02 to FY04 the proposed EQV increased by 22.2 percent. This is still less than the state average increase of 26.9 percent, but shows a healthy resurgence in property value in Orange. Preliminary FY05 revaluation numbers show more of the picture. Despite the completion of small interim year adjustments, FY05 total assessed value skyrocketed 44.2 percent over FY04. The average assessed value of a single-family home increased 33 percent, from \$105,214 to \$139,963. For the last ten years, an average of ten new single-family parcels came on the tax roles annually; thirty-six were added for the FY05 revaluation alone.

As noted, this property value resurgence is a recent phenomenon and one that should prompt the town to look forward and consider how these changes might affect local government.

Families new to the area will become an emerging voice in decisions on town expenditures. It is only normal that demands for public services will increase, as well as expectations for accountable, efficient and responsive government in return for tax dollars. To meet these challenges, Orange will have to consider ways to improve financial management practices.

Amid demographic changes, local officials have been coping with enormous budget difficulties. Recent declines in state aid, an overall downturn in the Massachusetts economy, and the steadily rising cost of operating government have caused Orange to practically deplete its stabilization fund and free cash.

In particular, regional school assessments have been burdensome. Orange, along with Wendell, New Salem and Petersham, is in the Ralph C. Mahar regional school district (grades 7-12). The town's net minimum contribution is determined by the Chapter 70 formula, based in part on a town's ability to pay. Any school assessments above the town's net minimum contribution are paid by the member towns according to their relative enrollments. Because Orange has the largest enrollment (76.3 percent for FY04), it has a majority membership on the regional school committee. However, if the board decides to increase the school budget, Orange is only one vote out of four in the regional school budget approval process. Therefore, Orange is sometimes placed in a position of having no choice but to pay for the increased assessments, which often push the town outside of budgeted figures. In addition to Mahar, the town funds the local assessment for the regional vocational-technical high school and its own elementary school system.

State aid cuts and increased school costs, health insurance and debt service have inevitably impacted the budget for general government. The FY05 general government budget was only finalized by reducing appropriations to non-school departments by six percent across the board. However, this is not a path the town should expect to take in order to balance its budget each year. Long-term planning should combine opportunities to create stability and gain efficiencies in programs and staffing as well as the structure of government. In this regard, there appears to be an overall resistance to change both within town hall leadership and among voters.

A charter commission in the early 1990s recommended adoption of the town's first charter, but the proposal was soundly defeated in 1995. Since that time, bits and pieces of the proposed charter language were put forth and alternately adopted and rejected as by-law. For instance, proposals to convert the treasurer and collector offices to appointed positions have been rejected by the voters, although by declining margins, each year. The proposal to form a town administrator structure of government was accepted in 1995, but with by-law language that created a very limited management role.

The reluctance of the community to empower the town administrator may have contributed to early turnover in the post. Four different people have filled the town administrator

position since it was created in 1995. The current town administrator has been in office since his appointment in December 2001. With an expanded role through a more comprehensive job description, he has worked diligently to smooth over the conflict and mistrust that seems to have been created by the previous office-holder. However, because town government is characterized by a mix of elected and appointed officials, and staff who report to others, his authority and effectiveness are limited.

In the finance offices, the accountant has been in her appointed position for three years. The assessors' clerk, who is appointed by and reports to an elected board, is approaching her one-year anniversary. The treasurer was appointed in December 2002, and won the March 2003 election, while the collector was appointed in November 1999, elected in March 2000 and again in 2003. Both came from the private sector and were appointed to fill mid-term vacancies. The town has benefited from having qualified appointments in those positions.

It is clear that each finance office works diligently to complete fiduciary duties. However, a primary concern is the level of communication and cooperation among the financial officers and the town administrator, and how the performance of each office has a ripple effect on others throughout town hall.

For instance, when the accountant fails to internally reconcile accounts and delays reconciliations of receivables and cash with the collector and treasurer, there are repercussions. When the collector is forced to expend an inordinate amount of time reviewing reports from the accountant, her own work lags. When the treasurer is not informed, due to the lack of communication, that variances in cash balances exist, she is placed under pressure to complete a year's worth of work in a single month. The collector and accountant rely on the assessors' office for notice of commitments as well as abatement and exemption information. The town administrator relies on the accountant and the assessors' office in order to complete revenue estimates and the Tax Recap. When there is a breakdown in communication between these offices, it creates a gap in the checks and balances intrinsic to a successful government operation.

To a large extent, the lack of coordination among finance offices can be eliminated with better communication. However, considering the limited space in which everybody works, the lack of communication is noteworthy.

During our site visits, we heard a full range of comments stating or suggesting that people are unaware of a problem until they are in the midst of it, that information is kept unnecessarily private, that the same message is not being heard by everyone affected by it, or people are unaware of approaching deadlines. Typically, withheld information results in mistrust; unexplained requests are met with hostility; problems left unaddressed cause personnel to question the even-handedness of management.

In short, local government in Orange requires increased transparency. It can only benefit from increased communication and cooperation between all those responsible for town finances, whether they are appointed or elected.

As overseer of town operations, the burden to foster an environment of open communication falls primarily to the town administrator, but also extends to the Board of Selectmen through its awareness and support of town administrator goals. He already holds regular finance meetings, as needed, and having taken over the budget process has opportunities to meet with managers on the subject of operations. Nonetheless, we encourage him to take a more pro-active role in creating an open environment in town hall where finance officers can feel comfortable voicing their concerns and suggestions. This will take time, for habits firmly entrenched will not change overnight, and all department heads and the town administrator should be patient while these changes are put in place. With success over time, and with the support of the selectmen and the town, we would envision actual structural changes that increase line authority in town hall and broaden management responsibilities for the position of town administrator.

Conclusion – There is reason to be optimistic about the future of Orange. Although it is currently one of the poorest communities in Massachusetts, its real estate development and population is increasing as people move to Orange to take advantage of its rural setting, small town feeling, and affordable property. This new demographic will increase the tax base and voter population, and continue to place demands on the existing governmental structure.

There is time, now, for town government, within its financial constraints, to evaluate current practices and determine if they are in the best interest of Orange. As voters demand more accountability in town government, and as property values continue to increase, there will be the need for a more transparent, functional government structure. With awareness of the challenges lying ahead, the town of Orange can begin to implement change slowly and with the full knowledge of all employees and taxpayers.

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## **Summary of Primary Report Recommendations**

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### **Overall Financial Management (page 7)**

- 1) *Commit to Financial Department Meetings*
- 2) *Create a Municipal Calendar*
- 3) *Implement an Employee Performance Evaluation Program*
- 4) *Reorganize Finance Related Offices*
- 5) *Examine Financial Office Staffing Needs*
- 6) *Monitor Reconciliations of Cash and Receivables*
- 7) *Adopt and Commit to Debt and Reserve Policies*
- 8) *Create a Department of Public Works*
- 9) *Move to Town-Wide Bi-Weekly Payroll*
- 10) *Reevaluate Town Administer By-Law*
- 11) *Adopt a Budget Process By-Law*
- 12) *Establish a By-Law Review Committee*

### **Computers and Technology (page 15)**

- 13) *Assign Technology Responsibilities*
- 14) *Upgrade to a Centralized Telephone System*
- 15) *Create a Technology Committee*

### **Accountant (page 17)**

- 16) *Set Office Priorities*
- 17) *Schedule Reconciliations with Finance Officers and Other Department Heads*
- 18) *Prepare for Schedule A Submission*
- 19) *Automate Record Keeping for Sick Leave and Vacation Time*
- 20) *Comply with GASB 34*

### **Assessors (page 21)**

- 21) *Utilize Educational Resources*
- 22) *Plan Long-Term Office Structure*
- 23) *Seek Permission to Assess Property to Owners Unknown*
- 24) *Make Map Changes Once Each Year*
- 25) *Retain Copies of Receipts*
- 26) *Plan for Interim Year Adjustments*

### **Town Collector (page 25)**

- 27) *Reconcile Receivables with Accountant*
- 28) *Resolve Outstanding Receivables*
- 29) *Discontinue Manual Records*
- 30) *Create Office and Counter Space*

### **Treasurer (page 28)**

- 31) *Commit to Monthly Reconciliations with Accountant*
- 32) *Create a Cash Handling Policy and Secure Turnovers*
- 33) *Resolve Outstanding Tax Title Receivables*
- 34) *Discontinue Manual Records*

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## ***Overall Financial Management***

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A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over among various municipal departments, as well as those that tend to impact town government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the town's organizational structure on the operation of government. We examined the purchasing system and personnel administration. We considered the roles of and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed compliance with state law relating to finance issues, adherence to form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

Despite the fact that the town's finance offices complete required processes, we discovered that changes are warranted in nearly every office. Many improvements could be achieved by increasing staffing levels, which the town is hesitant to do in the midst of a budget crunch. Other efficiencies could be found through the streamlining of procedures. Additional concerns in town hall are caused by a lack of communication or cooperation, and some are caused by what seems to be a town-wide reluctance to embrace structural change.

Last year, the town administrator spearheaded the budget process and preparation of the tax recap. He started the budget process earlier than usual with revenue projections, which the department heads and Finance Committee appreciated. The Capital Improvement Planning Committee was actively involved and worked with the Finance Committee to have its recommendations accepted by town meeting. The town administrator made sure that the tax recap was successfully completed by October 31.

Payroll and vendor warrants are completed weekly. New accounting software will help streamline the payroll process, which is currently cumbersome for both the accountant and the treasurer. Personnel and benefits administration are split between the treasurer and town administrator, with the majority of the workload falling on the treasurer's shoulders.

Reconciliations of cash and receivables are not completed monthly, and receivable variances exist dating as far back as FY87. The town is consistently late in submitting its Balance Sheet and Schedule A to DOR. As a matter of practice, the town appropriates money throughout the year with no reliance on firm policies to control the use of free cash, stabilization or other reserves.

Conclusion – In a climate of changing demographics, Orange needs to take some time to examine ways to improve government structure, staffing and performance. Although day-to-day tasks are being performed fairly consistently, periodic, though equally important, duties are more easily put-off. This would typically cause a town to examine its staffing levels as well as its management structure. Accordingly, we address these issues and otherwise offer specific recommendations that encourage formalization of procedures that seek to secure the long-range stability and financial security of the town as it enters a new period in its history.



**RECOMMENDATION 1: COMMIT TO FINANCIAL DEPARTMENT MEETINGS**

We recommend that the town administrator schedule regular monthly meetings, collectively, with the heads of all finance departments. Currently, the town administrator meets together with the accountant, treasurer, collector and the assessing clerk on an as-needed basis. Although these positions are currently a mix of elected and appointed officials, all members see the importance of these meetings, and attend them when asked. In this current light of cooperation, we suggest that the town administrator formalize these into regular, monthly meetings, and, in particular, that he schedule them after the accountant has met with the treasurer and collector to reconcile cash and receivables. In addition to reports on reconciliations, the agenda can include updates on the status of the tax recap, pursuit of delinquent accounts and tax titles, and any other pending issue that requires planning or action. Above all, these meetings should be viewed as an opportunity for increased, open communication between financial officers and the town administrator. The town should consider codifying these financial team meetings into the by-laws in order to institutionalize open communication into the structure of town government. Of course, this forum becomes more effective if all finance officers are accountable to the town administrator.

**RECOMMENDATION 2: CREATE A MUNICIPAL CALENDAR**

We recommend that the town administrator and all financial officers create a master municipal and financial calendar for the town of Orange. A template municipal calendar can be found on the Division of Local Service's (DLS) website ([www.dls.state.ma.us](http://www.dls.state.ma.us)) under Municipal Finance Knowledgebase. The town administrator should meet collectively with the treasurer, accountant, collector and assessors' clerk to modify the master calendar to suit the specific needs of Orange. Through the group effort, all officers can make sure that they are in agreement about project goals, deadlines and each individual's role in completing town fiduciary tasks.

**RECOMMENDATION 3: IMPLEMENT AN EMPLOYEE PERFORMANCE EVALUATION PROGRAM**

We recommend that the town develop and implement an employee performance evaluation program. The town's personnel by-law recommends that performance reviews for all town employees be executed during the month of October. Currently, there are no procedures laid out for its implementation. Missing, therefore, is the opportunity to reinforce the hierarchy of government and a chance to clarify job expectations for employees with the message that their performance will be measured annually. If implemented in a methodical, even-handed way, regular job performance evaluations elevate employee morale and build resident confidence in government.

Because of the absence of a single appointing authority, the board of selectmen would evaluate the town administrator and he would evaluate the managers of all departments over which the board has jurisdiction. Other boards would evaluate their respective department heads, who would then complete staff evaluations. Elected positions would not be evaluated.

Guidelines need to be developed that identify procedures for reviewing an employee's work responsibilities, previously established goals, and job expectations. They should lead to agreement

on priorities and new goals for the ensuing evaluation period. We note, however, that implementation of a performance evaluation program may require collective bargaining.

***RECOMMENDATION 4: REORGANIZE FINANCE RELATED OFFICES***

We recommend that the town convert the treasurer and collector to appointed positions. A clear trend has emerged among Massachusetts' communities in favor of appointed positions. Most act under a prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, such as the treasurer, collector, accountant, assistant assessor, etc., should be appointed. As appointed positions in town hall, the treasurer and collector would be placed on equal footing with other finance officers and department managers who have similar level responsibilities. The town would have potential candidates go through a background check and an extensive interview process that would attract a person with the strongest credentials and/or most relevant professional experience. Each would be accountable and report to the town administrator, and be subject to annual performance reviews.

Under the provisions of MGL Ch. 41 §1B, the treasurer and collector can be made appointed positions by majority vote of town meeting and subsequent acceptance by the voters at a town election. Orange has already proved that this measure can pass town meeting, but the selectmen need to make it clear to the voters at large that this is an important step forward for the town.

The town also has the option under MGL Ch. 41 §37 to combine the offices of treasurer and collector. If and when the town considers adoption of a town charter, this opportunity for restructuring might be appropriate for discussion.

We recommend that the town clarify the relationship between the assessors' clerk, the Board of Assessors and the town administrator. The current structure of authority in town hall leaves the assessors' clerk without daily supervision. While she is appointed by and reports to the part-time Board of Assessors, the town administrator has taken on a limited role as daily supervisor, but his authority is ungrounded in actual stipulated duty. This has placed the clerk in an awkward position, and often creates conflict. Whether the town has the clerk report to the town administrator, or continues to have the assessors' office run independently, a decision needs to be made and respected by all parties. This will increase communication and cooperation in the daily effort to complete required duties (such as the tax recap) consistently, on schedule, and without conflict.

***RECOMMENDATION 5: EXAMINE FINANCIAL OFFICE STAFFING NEEDS***

We recommend that the financial officers, in discussion with the town administrator, reexamine their staffing requirements. Currently, one full-time clerk assists the accountant (16 hours per week), treasurer (3.5 hours) and collector (18 hours). In most instances, she devotes no more than four hours per day to any one office, an arrangement that does not allow her to focus on large projects. Additionally, although she does not post to the general ledger for the accountant, and her role in the treasurer's office is limited to payroll and benefits administration, these cross-over

responsibilities run counter to fiscal checks and balances. Under preferable circumstances, the same clerk would not work in both the accountant's office and on the treasurer/collector side of town hall.

The finance offices, despite the quality of the work they receive from their shared clerk, are, in our view, understaffed. We suggest that the town examine the delineation of responsibilities between and within the offices. If the town chooses to keep both the accounting and chief procurement duties in the same office, the accountant and town administrator need to evaluate how her time is best spent. For example, a clerk could take on more day-to-day activities (invoice and time-sheet verification, posting to the general ledger, filing) while the accountant takes on more global duties, like reconciliations, town reports and procurement. The collector needs to make the town current with past collections and variances. Once she is complete with this project, it will be a matter of routine to keep the town up-to-date with collections and reconciliations. During busy collection times, she could use help with daily operations in order to guarantee a constant presence in the office. The treasurer needs to examine the possibility of bi-weekly payroll (see Recommendation #9) while determining how much help she requires with over-the-counter benefit administration. No matter how the town chooses to aid these offices in the completion of their required duties, we emphasize the importance of keeping the accountant's office, and staffing, separate from the rest of town hall.

Once the staffing is in place, the town could look to the Division of Local Services for computer equipment. The state is currently selling, for a nominal fee, surplus computers to towns in need, and this would be a good way for Orange to increase its inventory. See [www.dls.state.ma.us](http://www.dls.state.ma.us) for more information.

Our concerns about the staffing in the assessors' office are addressed later in this report.

#### ***RECOMMENDATION 6: MONITOR RECONCILIATIONS OF CASH AND RECEIVABLES***

We recommend that the town administrator monitor monthly reconciliations of cash and receivables. Deficiencies in receivable and cash reconciliation procedures have been a recurring problem since at least FY87. Because reconciliations are an important check and balance in the protection of town assets, and the failure to reconcile has the potential to reduce free cash certification to the town and affect its credit rating, we believe the town should have a strong interest in knowing that the job is getting done on a regular monthly basis. The town administrator should establish regular reconciliations of cash and receivables as priorities and require monthly reports of reconciliations from the accountant, and request the same from the collector and treasurer.

#### ***RECOMMENDATION 7: ADOPT AND COMMIT TO DEBT AND RESERVE POLICIES***

We recommend that the selectmen, in consultation with the town administrator and the finance committee, formalize a reserve policy that establishes guidelines for funding and maintaining reserves, as well as a debt policy that guides future borrowing decisions and works to improve the town's credit rating. In light of the recent special town meeting that continued the

gradual depletion of stabilization to just over \$30,000, when at the close of FY03 it was \$679,764, this recommendation takes on added importance. Orange has a history of free cash that consistently averages between three to five percent of the annual budget. However, with the more recent cuts in state aid and the downturn of the economy, Town Meeting has been using free cash as well as stabilization for recurring expenses and to make mid-year budget corrections. To help re-establish fund balances and ensure sound practices, town officials need to implement a reserve policy that, among other things,

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

An effective debt policy is vitally important for a town that spends a good amount on debt service (6.6 percent of the annual budget in FY03), and should provide guidelines that, among other factors:

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

Orange's credit rating is among the thirteen lowest in the Commonwealth. At Baa2, the town is comparable to Haverhill, Revere, Springfield, Lawrence, New Bedford and Pittsfield, all of which are much larger cities with their own complex issues. Orange should take a serious look at the rating agencies (Moody's, Standard & Poor's, Fitch Investment Services) and what they consider when establishing a town's credit rating. Among the areas that are within the town's control:

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

**RECOMMENDATION 8: CREATE A DEPARTMENT OF PUBLIC WORKS**

We recommend that the town consider ways to consolidate five existing functional areas into a Department of Public Works (DPW) – MGL Ch. 41 §69C-F. Currently, the town has an elected Cemetery Commission and a Water Commission, each of which appoints a superintendent for their respective departments. The Board of Selectmen acts as the Highway and Wastewater Commissioners, and appoints a Highway Superintendent, Sanitation Superintendent and Wastewater Treatment Facility Chief Operator. One person currently acts as the Highway, Sanitation and Parks Superintendent, and responsibility for town building and grounds maintenance tends to fall on individual departments, with the highway department filling in the gaps. The town also elects a Tree Warden.

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

**RECOMMENDATION 9: MOVE TO TOWN-WIDE BI-WEEKLY PAYROLL**

We recommend that the town move all employees to a bi-weekly payroll system. Currently, a bi-weekly payroll system for school and library personnel works well. If extended to all town employees, workloads in the treasurer's and accountant's office would be reduced, freeing time for the completion of other important tasks. We understand that the treasurer is working towards this goal, and we support her efforts. Changing the pay periods will require collective bargaining and therefore the additional support of town and union leaders.

**RECOMMENDATION 10: REEVALUATE TOWN ADMINISTRATOR BY-LAW**

We recommend that the town reevaluate the town administrator's job description and make the by-law consistent with the actual duties of the office. The current by-law codifying the role of the town administrator is brief and vague as to the actual duties of the office. His job description, given to him upon appointment in 2001, is much more complete. The job description should be updated and codified into by-law.

As part of this process, we suggest that the town consider moving toward a more centralized local government structure. This can start with the Board of Selectmen delegating its appointment authority of boards and department heads, including the accountant, to the town administrator. As the community grows, and management displays control and effectiveness, that authorization can be expanded, by by-law, to include appointment authority over other department heads, and establish functional reporting relationships with employees appointed by elected, part-time boards. In general, we believe strongly that centralized government has advantages in terms of efficiency and accountability. The responsibility to oversee town government should be squarely placed in the

hands of a full-time professional who will make all employees equally accountable for the performance of their requisite duties.

***RECOMMENDATION 11: ADOPT A BUDGET PROCESS BY-LAW***

We recognize that the current budget process is evolving as the town administrator, selectmen, finance and school committees, and town departments continue to explore different practices. We offer the following suggestions (with full knowledge that some are already in place) in order to secure a sound budget policy that needs to be incorporated into the town's by-laws:

- The town administrator should initiate the budget process by providing revenue projections to a joint meeting of the Board of Selectmen, Finance Committee and both school committees. These estimates will guide the budget setting process and should be updated, with the release of the Governor's budget in late January.
- The town administrator should develop the initial budget request. Upon receipt of appropriation requests from all town departments, the accountant should prepare a working budget document in the accounting/budget software. The town administrator should then meet with department heads before preparing his final budget for selectmen approval, which would then be forwarded to the finance committee.
- The finance committee now controls the budget and can choose to amend the town administrator's document in any way. They should meet with department heads and consider the town finances objectively and without external pressure.
- The overall budget calendar should allow finalization of the budget in time to include appropriation detail in the town meeting warrant.
- The town should formalize its budget calendar to reflect changes in the process. Beginning with the likely annual town meeting date in May and tracking backwards, the town can establish a budget schedule similar to the example below:

**November 15** Town administrator (TA) presents revenue projections.

**December 1** TA distributes budget guidelines and requests to departments.

**January 1** Department deadline to submit appropriation request.

**February 15** TA completes hearings and creates draft budget.

**March 1** Selectmen approve budget and submit to finance committee.

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

**May 8±** Town meeting votes on finance committee budget recommendations.

***RECOMMENDATION 12: ESTABLISH A BY-LAW REVIEW COMMITTEE***

We recommend that the town establish a By-Law Review Committee. We understand that the town has hired a consultant to re-codify its by-laws. We applaud this decision. Re-codification 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. Once re-codification is complete, we recommend that the non-zoning portions of the town's general provisions and by-laws be

reviewed by a By-Law Review Committee with the intent to clarify, correct 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. The final document should have consistent formatting and referencing to articles, appropriate page numbering, a usable table of contents, and be placed on the town website.

The committee should also consider the possibility of creating a town charter. Currently, the town of Orange defaults, in large part, to generic state statutes for its overall government structure. Useful for basic guidance and prescribing minimum standards for elected and appointed officials, the general laws fail to account for a city's or town's distinguishing characteristics. Through charters, cities and towns have formed more customized organizational structures and have more clearly defined procedures. For example, Orange has been facing difficulty recently achieving a quorum for town meeting. Through a charter provision, they could move to a representative town meeting, which would then alleviate the quorum issue and draw more of the town into the vital legislative process.

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## ***Computers and Technology***

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At the beginning of FY2005, Orange took a step forward by updating its accounting software from Unifund to a financial management package developed by Lawrence Braverman Associates (LBA). All major accounts have been switched over to LBA, and payroll should be fully up and running by January. Internet and email access are recent additions to all offices, as is the creation of the town website, [www.townoforange.org](http://www.townoforange.org). The town collector remains satisfied with Point Software, the assessing office depends on Patriot Appraisal software, and all offices have access to Microsoft Excel and Word.

Server maintenance has fallen by default onto the accountant, who has worked for LBA in the past. She has also been training staff in a limited capacity until LBA consultants arrive to provide onsite instruction. The accountant performs daily backups for the LBA server, but Patriot and Point have no separate server, which raises the concern of system capacity and the lack of a back-up schedule on individual computer stations. When there is a large problem that cannot be handled either by the accountant or others in town hall with basic computer knowledge, help is sought from a private computer consultant service located in Orange.

Orange town government has no long-term plan for technology, indicated by the fact that Point, LBA and Patriot are not compatible. As a result, much of the financial information turned over to the accountant from the treasurer, collector and assessing clerk is in hard copy, and often hand-written. The collector is working with Point Software to find a solution to the compatibility issues between Patriot, Point and LBA, but she is not having much success.

Computer systems are not the only technology concern in town hall. The telephone system is decentralized, with individual offices having their own phone lines and answering machines, which do not allow the transfer of calls from one office to another. Each department pays for its own phones through its budget, and the physical plant of town hall is constantly being altered by the uncoordinated addition and removal of phone lines.

Conclusion – At a time when the state is moving rapidly in the direction of electronic communications, the town of Orange lags badly in computer technology. There is no centralized technology budget or responsibility, and there is no long-term plan for technology development and training. The use of technology and software is hampered by constant computer crashes, lack of training, and basic mistrust of the integrity of the system. The town may view this as an inconvenience in the short term, but if it remains unaddressed, it will develop into a larger problem in the future.

### ***RECOMMENDATION 13: ASSIGN TECHNOLOGY RESPONSIBILITIES***

We recommend the assignment of technology responsibilities to a single person who reports to the town administrator. Technology in town hall needs a global perspective. Whether the town formalizes a relationship with one of the private contractors in town, assigns technology



responsibility to a member of the town administrator's immediate staff, or explores a combination of the two, that person must report to the one person in town hall who has a global perspective, the town administrator. If the person works in-house, responsibilities could include troubleshooting, hardware and software inventory, long-term planning, analysis of system capacity, design and implementation of a back-up policy, as well as a survey of current employees and their training and software needs, including problems with software compatibility. If the town hires an outside consultant, the town administrator can either require all of the in-house needs, or choose those that he feels to be most important to be included in the service contract. Finally, the technology budget should become a single line item under the town administrator.

We understand that the town has formalized a relationship with one of the vendors in Orange. This contract is for fifty hours a year, with additional hours paid as necessary. This is an important first step for the town to take.

***RECOMMENDATION 14: UPGRADE TO A CENTRALIZED TELEPHONE SYSTEM***

We recommend that the town administrator explore options to upgrade town hall to a centralized telephone system. There is no centralized telephone system in town hall. Individual offices have individual phone lines that are paid through department budgets. It is impossible to transfer calls from office-to-office and difficult to track total expenditures. It is our understanding that the town administrator has already begun to explore options to update the physical infrastructure of the telephone system. We endorse this course of action. Not only will the technology be centralized, but the physical plant will be altered in a coordinated manner and the overall professionalism of the town offices will be improved. As he collects information on options, we encourage the town administrator to talk to town personnel in order to make sure that the new system addresses all needs and concerns.

***RECOMMENDATION 15: CREATE A TECHNOLOGY COMMITTEE***

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

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

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## ***Accountant***

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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, she documents and verifies the flow of money into and out of municipal accounts.

The current Orange accountant has been in the position for about three years and serves full time. She also serves as the part time accountant for a neighboring town, which she has been doing for six years, and formally was in computer support for a municipal finance software vendor. She has a private office and is assisted by a part-time (16 hours per week) clerk who shares an open area with the water/sewer/highway clerk.

The town accountant has very specific statutory responsibilities in the oversight of town finances. Through the weekly vendor and payroll warrant preparation processes, she confirms that money is available in accounts to be charged, the purpose of an expenditure is within the intent of the appropriation, and no fraud is evident. The office maintains a general ledger and has custody of all town contracts and grants. In Orange, she has the added responsibility to serve as the Chief Procurement Officer with duties dictated by the town administrator. She has also been the de facto technology person in town hall.

Among fundamental responsibilities, she should reconcile cash with the treasurer and receivables with the collector each month. She needs to keep a detailed record of town debt, and should reconcile her record with the treasurer's debt schedule at least semi-annually. She is also obligated to produce an expenditure report each month and should produce a revenue report as requested. It is critical that she track and report annually on the town's liability for accrued employee sick leave and vacation time.

The accountant is solely responsible for preparing and submitting to DOR the town's Balance Sheet at year end and its annual Schedule A by October 31. Finally, she has a role together with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The office is reasonably effective in carrying out every day duties. Vendor invoices are received and processed, and warrants are prepared weekly. For payroll, the accountant checks time sheet accuracy. She regularly receives departmental turnover sheets and posts to the general ledger. Although a secondary responsibility, the accountant spends a significant amount of her time attending to her procurement duties.

The office is much less consistent in fulfilling periodic responsibilities. The accountant has not reconciled her general ledger internally and has not externally reconciled cash with the treasurer or receivables with the collector on a regular monthly basis. She has submitted the Schedule A five months late for each of the last three years. The office has not been able to maintain a central, electronic record of accrued sick leave and vacation time. The accountant does not maintain her own debt schedule.

Conclusion – The duties of the accounting office are paramount to the credibility of town financial records. Therefore in Orange, these important fiduciary duties should be performed in a more systematic way. With the implementation of the new accounting software and the new contract with the outside computer consultant, the accountant should now be able to attend diligently to fundamental duties. The following recommendations offer suggestions as to how this office can increase its performance in the future.

***RECOMMENDATION 16: SET OFFICE PRIORITIES***

We recommend that the accountant work with the town administrator to establish office priorities and deadlines. The town accountant has and understands her job description. Procedures are in place to accomplish recurring responsibilities like warrant preparation, and other ad-hoc tasks seem to receive attention as they arise. However, as noted, the completion of reconciliations and the submission of the Schedule A are duties more easily set aside and tend to lag. Clearer priorities and greater forward-looking planning would address this and similar issues. We comment on the importance of a municipal calendar in the Overall Financial Management section of this report, but more attention needs to be given to the accountant’s office than a timeline. We recommend that a formal accountability process be established between the accountant and the town administrator by agreement on a schedule of regular reports and deadlines.

***RECOMMENDATION 17: SCHEDULE RECONCILIATIONS WITH FINANCE OFFICERS AND OTHER DEPARTMENT HEADS***

We recommend that the accountant schedule a day each month with the collector and the treasurer for reconciliations of receivables and cash. The initiative to reconcile the town’s cash and receivables must originate with the accountant. Individual, internal reconciliations by the collector and treasurer do not satisfy DOR requirements until they are measured against the accountant’s general ledger and adjusted for any necessary variances. Therefore, the accountant should speak separately with the collector and treasurer, immediately, to agree on a specific day each month when they will meet to complete reconciliations. Each should complete an internal reconciliation in advance of the monthly meetings. We emphasize that the responsibility for reconciliations lies primarily with the accountant, and therefore the duty lies with her to make sure that they are completed.

We further recommend that the accountant reconcile debt with the treasurer at least semi-annually. Under MGL Ch. 41 §57 the accountant must keep a detailed record of all town debt. The accountant needs to maintain her own debt record detailing the purpose and date of borrowing, the rate of interest and provisions for payment. Additional information might include the amount of the original authorization and maturity date of the debt issued. The accountant, treasurer and town clerk should confer after each town meeting to verify action taken relative to debt authorizations. At least twice during the fiscal year, the accountant and treasurer should meet and reconcile debt

activity so that, at year's end, all reports of that activity match and accurately reflect the town's debt position.

We recommend that the outstanding variance be researched and rectified. Since FY87, there has been a variance in the receivables, with the real estate account from FY00 having the largest deviation. Since FY01, the total variance has not changed, but it still exists. The research has been hampered by a loss of computerized records, cumbersome paper reports, and lack of time, but still needs to be done. If there is no way to reconcile between the accountant and collector, and all alternatives have been exhausted, the accountant and collector should discuss available options with their audit firm and their Bureau of Accounts representative.

We recommend that the accountant schedule a day each quarter in order to reconcile with other departments that handle town money. The accountant and the fire department have been unable to reconcile ambulance receivables for over two years. Once again, it is the accountant's responsibility to make sure that the general ledger reflects an accurate balance of the town's funds. She needs to take the time to meet with the fire department, the water/sewer/highway clerk, and all other town departments that handle town money at least quarterly to reconcile receivables.

#### ***RECOMMENDATION 18: PREPARE FOR SCHEDULE A SUBMISSION***

We recommend that the accountant prepare for the Schedule A submission by keeping up-to-date with her records throughout the fiscal year. The Schedule A is a year-end statement of a municipality's actual revenues, expenditures, changes in fund balance and certain other financial information. It is a required report that must be submitted annually to DOR by October 31. In recent years, the Schedule A format has been simplified by combining the financial information and reducing the number of reporting categories. The town accountant typically extracts data from the financial management software to complete the report.

If a Schedule A is not received by mid-March, the state will withhold third quarter state-aid payments to the municipality. Our concern for Orange lies in the fact that DOR has received the Schedule A within days of this final deadline for each of the last three years. We therefore encourage the accountant to manage her time in a way to get the Schedule A in to DOR by October 31. Toward this end, she might explore whether the LBA software has the capability to organize and combine financial data into the Schedule A format.

#### ***RECOMMENDATION 19: AUTOMATE RECORD KEEPING FOR SICK LEAVE AND VACATION TIME***

We recommend that the accountant treat the transfer of all sick leave and vacation time to the new system as a priority, and that she confirm a process for receiving and maintaining data in the future. Among her duties, the accountant must annually report, for the purposes of GAAP accounting for financial statements, the not-yet-used, but accrued, employee sick and vacation time. This reflects the obligation of the town under contracts to compensate employees, upon retirement, for all or a portion of their sick and vacation time earned, but not taken. For many communities,

this represents a future, and oftentimes unfunded liability. In Orange, no uniform information collection procedure is in place and the liability is unknown.

Under current town practices, sick time and accrued vacation is accounted for and maintained at the departmental level. The accountant previously maintained a manual record of sick and vacation time for all town employees, but found that she had no time to keep it updated. As a matter of procedure, departments send the treasurer periodic reports on activity, but these are filed without being documented in a central location. Therefore, while a manual record is not what we would recommend, even it has not been maintained.

The maintenance of records at the departmental level represents good practice only if the practice is uniform, and if corresponding information is also retained in a centralized location, i.e., with the accountant. Otherwise, checks and balances do not exist. The absence of a systematic procedure for maintaining these records can give rise to circumstances where an employee's claim of accrued sick leave and vacation time cannot be corroborated or challenged with credibility. Once the payroll portion of LBA software is running in January, the town will have the means to consolidate all available information currently maintained by department heads.

***RECOMMENDATION 20: COMPLY WITH GASB 34***

We recommend that the town come into compliance with the requirements of GASB 34. The Governmental Accounting Standards Board (GASB) Statement 34 is an accounting and reporting standard that requires all governments to maintain a capital asset and infrastructure inventory, which is then reported on the entity's financial statements. It also imposes new financial and audit reporting requirements. As a so-called "tier two" community, Orange should have been in compliance with GASB 34 when it prepared its financial statements for FY03. It was not then, and remains in non-compliance now.

The town recently hired a new audit firm. The town accountant should begin working immediately with them to determine what steps must be taken to comply with GASB 34. While credit rating agencies have suggested that towns may be afforded a period of adjustment, it is also clear that compliance with GASB 34 is expected, and will become a factor in determining a community's credit status.

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## Assessors

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The Orange Assessing Department is under the guidance of a three-member, part-time board elected to three-year, staggered terms. The current chairman was first elected in March 1998, while the two remaining members have four years and one year on the Board. The Board meets weekly as it oversees its one appointed clerk who has served as the only person in the office since January 2004. She was previously the collector's clerk for a year, and helped part-time in the assessors' office during the busy season. Otherwise, she has been in and out of town and state government for her entire working career.

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 involves approximately 3,300 real estate parcels, of which 300 are commercial/industrial and 550 are vacant land. There are an additional 250 personal property accounts. All are billed on a quarterly basis. Over the course of one year, the office issues eight-to-nine motor vehicle commitments totaling about 7,000 accounts. The town issued about 300 building permits in FY04, of which twenty-to-thirty were for new residential construction. Also in FY04, the office issued nine residential abatement certificates and about 100 personal exemptions. There are presently five cases pending before the Appellate Tax Board.

The office utilizes Patriot appraisal software to maintain property records and has a \$120,000 contract with the company to perform a full range of services. Patriot has been contracted to complete interim year value adjustments, the FY05 triennial revaluation, and a full measure and list of properties. Since FY02, Patriot has estimated new growth for the town as well. Accordingly, among its contract duties, the company inspects sale and building permit properties for the town, which also contribute to the measure and list project. The assessing clerk assists Patriot by assembling property information received from the fire department (on smoke alarm inspections), from the building inspector, from assessing office files, and deeds, etc. She also keys in data from all inspections into the software system. To compliment information collected by Patriot, a Board member sometimes returns to certain properties when an occupancy permit is issued.

The Assessors have an outside contract with Cartographics to complete a town-wide remapping. The process will update and correct property lines, as well as clarify property ownership issues. This should help reduce the large number of tax bills now forwarded to owners unknown as well as approximately 150 parcels whose identity number begins with "NN" ("No Number"). Some of them fall between existing map lines; many were splits of existing parcels that were never researched; a few of them may be unmapped parcels from days long gone by. An effort to research property owner information has been delayed until the remapping project is complete. In the meantime, the town has not been approved by DOR to address tax bills to owners unknown.

Relying heavily on Patriot, the assessors' office is able to successfully value all the town's real and personal property and assign tax obligations to property owners. Tax and excise levies are generally committed to the collector on a timely basis to allow for scheduled mailings. The assessors have otherwise provided a new growth estimate and an overlay recommendation to the town administrator for inclusion in the annual budget.

Conclusion - Despite the fact that the Assessing Department is aware of and fulfills major responsibilities, pressure is placed on the clerk, who is relatively new to the position and without support in the office. Absent daily guidance, she faces a steep learning curve as she discovers requisite duties, establishes working relationships, and serves the walk-in public. The following recommendations are intended to support the on-going education of the assessing clerk as well as the overall department goal of raising the level of professionalism in the office. Other recommendations offer suggestions to improve general office operations.

### ***RECOMMENDATION 21: UTILIZE EDUCATIONAL RESOURCES***

We recommend the assessing clerk continue to attend educational courses. Certified educational courses, designed specifically for municipal assessors and staff, are essential to professional growth. In the case of Orange, access to educational resources can only accelerate the current process of on-the-job training for the clerk and better prepare her to fulfill her responsibilities. We encourage her to continue these efforts.

Explore professional relationships with her peers in other towns. The assessing clerk should also establish relationships with peers. More often than not, a counterpart with experience in another community can provide practical insights into municipal practice that supplements what courses have to offer. To benefit in this regard, she need not wait until a scheduled gathering of assessing officers, but should initiate contact with other departments as questions arise.

Communicate with finance officers in town hall. We suggest that the assessing clerk communicate, formally or informally, with other finance officers in town hall. This represents another means to expand her understanding of how town government works, how the various offices are dependent on each other, and to confirm when and what information passes between them. Examples include address change information, notification of commitments, exemption and abatement certificates, and updates on the revaluation time schedule. Overall, her efforts will help improve communications in town hall, and cause small concerns to be addressed before they turn into larger problems.

We further recommend that the newest member of the assessing board fulfill the state's minimum requirements of the office immediately. *Course 101, Assessment Administration: Law, Procedures, Valuation* is a required course for all assessors. Attendance and successful completion of the examination within two years of an assessor's original appointment or election satisfies minimum qualification requirements for assessors that were established by 830 Code of

Massachusetts Regulation (CMR) 58.3.1. This course is offered at locations around the state three times per year. For more information, we suggest that the office register for DLS email updates at [http://www.dls.state.ma.us/Listserv/DLS\\_Index.htm](http://www.dls.state.ma.us/Listserv/DLS_Index.htm), and review the training website at <http://www.dls.state.ma.us/training.htm>.

***RECOMMENDATION 22: PLAN LONG-TERM OFFICE STRUCTURE***

We recommend that the town determine and plan for the future structure of the office. As Orange grows, continues to change, and attracts more people who work in the urban centers of the Commonwealth, demands on the assessing department will increase. The current office structure is not likely to keep pace. Today, only one person – the assessing clerk – answers the telephone, helps customers at the desk, inputs data, and generally keeps the office functioning. Whenever she is out for vacation, sick time or continued training, the office closes. Moving forward, the town needs to consider staffing, levels of professionalism, as well as the allocation of assessing office responsibilities between in-house personnel and outside contractors. As the assessing clerk gains in experience, decision makers must determine what office structure can best utilize her skills while ensuring the completion of other necessary tasks, including achieving a consistent, full-time presence in the office.

***RECOMMENDATION 23: SEEK PERMISSION TO ASSESS PROPERTY TO OWNERS UNKNOWN***

We recommend that the Board of Assessors seek permission from the Commissioner of Revenue to assess property to owners unknown (MGL Ch 59 §11). At the conclusion of the town-wide remapping, many of the past real estate commitments will most likely be verified as parcels belonging to an unknown owner. In order to assess parcels to persons unknown, the assessors must submit a written “Request for Approval to Assess to Owner Unknown” to the Property Tax Bureau at the DLS. Each request should include the following:

- Parcel Identification
- Parcel address/location
- Description/land area
- Value as of January 1, \_\_\_\_
- Assessment history
- Actions taken to identify the owner of record
- Comments/attachments

Once approved, the assessors should assess the property in the same manner as other real property. If the taxes remain unpaid after the collector issues a demand, the property can be moved into tax title and foreclosure procedures can commence. (See IGR 87-238, Owners Unknown, at <http://www.dls.state.ma.us/PUBL/IGR/1987/87-238.pdf> for more information.)



**RECOMMENDATION 24: MAKE MAP CHANGES ONCE EACH YEAR**

We recommend that the town maps be updated once yearly. Once Cartographics has completed the update of town maps, the assessors should then be diligent about keeping the maps updated. Typically, the Planning Board approves plans and then forwards them to the assessors. The assessors should note changes on unofficial, or working maps, and then send the accumulated updates to Cartographics once per year. This way, the town's significant investment can be maintained.

**RECOMMENDATION 25: RETAIN COPIES OF RECEIPTS**

We recommend that the assessors' office retain copies of receipts given to residents for cash received. When the assessors' office receives cash payments, typically in small amounts, for copies of maps, field cards, deeds, etc., a receipt is given to the purchaser. The cash is placed in a cash box, but no receipt or other accounting of the payment is included. It is our understanding that \$50, \$100 or as much as \$200 can accumulate in the lock box. Given these amounts, the use of a receipt pad, with a carbon or other copy mechanism, would be worthwhile in order to provide a check and balance on amounts collected and to provide protection for the assessors' clerk. Under any circumstance, turnover of cash to the treasurer should occur at least weekly, and the treasurer's acknowledgement of cash received should be reconciled against the office copies of customer receipts for the same time period.

**RECOMMENDATION 26: PLAN FOR INTERIM YEAR ADJUSTMENTS**

We recommend the assessors establish a plan to meet new reporting requirements for interim year property value adjustments. All city and town assessors must complete annual sales analysis to determine if changes in market conditions warrant corresponding adjustments to property values to reflect full and fair cash value as of January 1.

Under a new requirement, beginning in FY05 all assessors who are not in a revaluation year must report the results of their analysis (whether or not an adjustment was necessary) of all real property to the State Bureau of Local Assessment (BLA) on the form entitled "Adjustments of Valuations Between Certification." The form is available to communities as part of the package of electronic forms accompanying the annual Tax Recapitulation Sheet. It must be received by BLA before, or with, the Form LA-4. In addition, assessors are required to retain documentary back-up and other evidence of their analysis whether or not property adjustments were made. (See Guidelines for Development of a Minimum Reassessment Program, found at [www.dls.state.ma.us/bla/pdfs/minguide.pdf](http://www.dls.state.ma.us/bla/pdfs/minguide.pdf).)

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## ***Town Collector***

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Following sixteen years in the private sector as a credit manager, the current town collector was appointed in November 1999 following the early departure of the previous officeholder. Orange voters then elected her in March 2000 and again in March 2004. One full-time clerk splits her time among the accountant, treasurer and collector. In the collector's office, the clerk spends 18 hours per week helping with over-the-counter payments, filing, and lien certificate research. She works at a desk but has no computer.

The office collects taxes for approximately 3,300 real estate parcels and 250 personal property accounts on a quarterly basis. Around 50 percent of the payments are received from third party institutional payers that allow payment information to be electronically uploaded to the collector's accounts receivable software. The remaining payments are received over-the-counter or by mail. Motor vehicle excise bills total around 7,000 annually in nine commitments, and are printed and mailed by DLM, an outside mailing service.

Albeit in manual, hardcopy format, the collector maintains an accurate and up-to-date receivable control. Internal reconciliations are completed monthly. Credit reports are run as appropriate and research is completed to confirm legitimate tax refunds due to residents. In accordance with state law, the office responds to requests for municipal lien certificates within ten days. The collector is working on a program to move delinquent properties into tax title and to the treasurer, but is hampered by the sheer number of outstanding receivables and a small budget. She also faces difficulties in reconciling her records timely with those of the accountant.

During billing periods, the office has established procedures to receive and batch tax and excise payments that are then posted to the Point software. Posting is completed daily before receipts are turned over to the treasurer to be deposited. Generally, the collector places checks and cash with a cover sheet in the main vault for the treasurer to pick up one to two times daily.

The town collector has a contractual arrangement with a Deputy Collector (Jeffrey & Jeffrey) to pursue motor vehicle and personal property delinquencies. The Deputy Collector deposits receipts into a joint account and turns over a report to the collector every Monday, who then writes one check to the Deputy Collector and another to the treasurer as a turnover.

Conclusion – The collector's office completes the day-to-day duties of receiving and processing payments due to the town efficiently. However, equally important but less frequent duties, such as monthly reconciliations and moving delinquent properties to tax title, are either delayed or simply not being completed. This is a concern that can be solved by increasing the time spent on receivable research, and increased cooperation between the collector's and other financial officers. Ultimately, unless a system is put into place to move properties into tax title on a regular basis and in accordance with a plan that residents understand, the office will begin to fail in one of its financial responsibilities.

**RECOMMENDATION 27: RECONCILE RECEIVABLES WITH ACCOUNTANT**

We recommend that the collector reconcile receivables with the accountant on a regular basis. Currently, the accountant produces monthly reports of receivables from the general ledger, which she gives to the collector. The collector reconciles those reports against her source documents and informs the accountant of any discrepancies. This process is delayed at first because the accountant produces the monthly reports anywhere from one to four months late, and then again because the collector typically works alone when reconciling balances. In order to reconcile balances, she often finds herself correcting keying errors in the accountant's records. We strongly encourage the collector (with her receivable control and source documents) to sit down with the accountant (with her general ledger and source documents) on a predetermined day each month in order to work through the reconciliation together. This way, if errors are discovered, they can easily be rectified.

**RECOMMENDATION 28: RESOLVE OUTSTANDING RECEIVABLES**

We recommend that the collector work with the town administrator, treasurer and assessors to resolve outstanding receivables. There are outstanding real estate bills from 1987, personal property bills from 1990 and motor vehicle excise payments from 1991. The dollar amount is reasonably small except for the most recent years, but the length of time that these receivables have been on the books is of concern. Every year that these receivables are not resolved, free cash can be reduced, causing more strain on the budget.

*Motor Vehicle Excise (MGL Ch 60A §7).* We recommend that the collector work with the deputy collector and the assessors to review all outstanding motor vehicle excise receivables. The collector and deputy collector need to work on an aggressive program to pursue all other receivables. If these are deemed uncollectible, they need to identify a course to remove them from the books.

*Personal Property Taxes (MGL Ch 59 §§18 & 71).* Upon sufficient inquiry, the collector can determine a tax to be uncollectible because of death, absence, poverty, insolvency, bankruptcy or other inability of the assessed party to pay. The collector can then complete a notice of uncollectible taxes and forward it to the board of assessors who have the authority to abate the tax. The return of a certification of abatement of uncollectible taxes to the collector discharges her from any further obligation to collect the tax. To begin the process, we suggest the collector prioritize taxes over five years old or over \$1,000 for the first sweep of the books, and adopt procedures to stay current and aggressive with uncollected taxes in the future.

*Real Estate Taxes (MGL Ch 58 §8).* The assessors are currently nearing completion on a town-wide remapping, cyclical measure and list, and triennial revaluation. Many of the property information questions surrounding outstanding real estate taxes may be answered at the end of those projects. However, the collector is still responsible for researching outstanding tax receivables. Once the research has been performed, the collector can either move the property

into tax title or submit the receivable to the Commissioner of Revenue for abatement under MGL Ch 58 §8. Properties that the assessors have identified as “owners unknown” are to be treated in the same way as properties with known owners. We suggest that the collector work with the town administrator and town counsel for advice and help throughout this process.

The collector needs to create a process for aggressively moving receivables into tax title immediately at the end of the current fiscal year. If a taxpayer’s entire fiscal year taxes have not been paid by May 1, the collector should start the tax title process. This starts with a demand letter on or around May 14, is followed four weeks later with a notice of tax taking, and then, if a tax title account already exists for said taxpayer, moved efficiently over to the treasurer and off of the collector’s books by June 30. If the taxpayer does not already have a tax title account, the collector should take the time to verify all information before moving the property into tax title.

Once delinquent property owners have evidence of the town’s seriousness to pursue back taxes, collections should improve.

#### ***RECOMMENDATION 29: DISCONTINUE MANUAL RECORDS***

We recommend that the collector discontinue manual records. Through long-term practice, the collector maintains various sets of manual records, such as her receipts log and receivables control. At the same time, she has expressed a willingness to become more proficient with Point Software and Microsoft Excel and has a procedure in place to back-up her computer. Once her comfort level with the software and technology procedures has increased, we encourage her to discontinue maintaining her manual records.

#### ***RECOMMENDATION 30: CREATE OFFICE AND COUNTER SPACE***

We recommend the creation of office privacy for the collector. In today’s society, it is a reasonable expectation among taxpayers that their business with the town collector be performed in a confidential and professional manner. It is equally reasonable that the collector would appreciate an office environment where she can devote uninterrupted time to the completion of routine tasks and major projects with protection from distractions. Placing partitions around her desk would be a good first step.

The town has recently completed a set of interior upgrades to town hall, including cosmetic enhancements and the reassignment of office space. The collector and town clerk now share office space, and most of the counter area is reserved for the collector. If a taxpayer has business with the town clerk, there is no designated area where they can communicate. Since both serve walk-in traffic, consideration might be given as to how to give both officers counter space. We also suggest that the collector request an additional computer for her clerk. This way, time on the computer will not have to be scheduled, and the clerk could be more efficient in the tasks she currently performs for the collector.

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## **Treasurer**

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The treasurer was appointed to the office in December 2002 to fill the unexpired term of her predecessor, and was then elected for a three-year term in March 2003. Her prior experience was in the private sector as a cash manager. One full time clerk splits her time among the accountant, treasurer and collector. In the treasurer's office, the clerk spends four hours per week helping with payroll, insurance and benefits. She has no computer access, and has to work on the treasurer's computer while in the office.

The treasurer receives turnovers and efficiently processes all monies collected by other town departments, including water and sewer department receipts. Town funds are invested, debt is managed and cash flow is monitored to retain sufficient balances to cover town obligations as directed by vendor and payroll warrants. Both the treasurer and the accountant have recently changed their software to a package developed by Lawrence Braverman Associates (LBA). As a result, monies turned over to the treasurer are entered into the software as received, and are available for review by the accountant before being posted to the general ledger.

The town administrator and the treasurer currently share personnel responsibilities. The treasurer keeps benefit and insurance information as well as unemployment documentation. The town administrator keeps more sensitive materials. Both offices have a set of files that are kept locked at all times.

For her documents, the treasurer uses a combination of manual and electronic records. Her cashbook is in manual form, while her receipt log is on an Excel spreadsheet. She maintains both her permanent debt schedule and tax title record on Excel. Her documents are kept on the new accounting server, which is backed-up nightly by the accountant.

Conclusion – Despite a steep learning curve that is typical for someone new to municipal government, the treasurer runs her office efficiently and successfully. Our only concerns focus on the security of cash during the turnover process, the amount of money tied up in tax title accounts, and the continued reliance on manual records. In fairness, the treasurer is already addressing some of these issues, so the following recommendations are designed to support her current efforts.

### ***RECOMMENDATION 31: COMMIT TO MONTHLY RECONCILIATIONS WITH ACCOUNTANT***

We recommend that the treasurer commit to a monthly meeting with the accountant to reconcile cash. Normally, as part of the reconciliation process, the accountant would provide the treasurer with cash balances as reflected in the general ledger. The treasurer would then compare the balances to her records and the two officers would determine the cause of any variances. This has not been occurring. Currently, the treasurer completes her internal reconciliation of cash balances and then forwards her monthly results to the accountant. Having heard nothing in return, the treasurer has assumed that her reports balanced with the general ledger. It turns out

that this is not the case. Apparently the accountant's general ledger is at variance with the treasurer's records for every month of FY04. Until the records for each can be reconciled, the town cannot close its books for FY04. Having reached an impasse in the resolution of the accounts, the town has had to call in their outside auditor to find the cause of the variance. This would have been avoided if reconciliations were performed monthly throughout the year.

Reconciliations reflect an important check and balance and are a fundamental responsibility for each office. Accordingly, the treasurer has an obligation to complete, as she does, internal reconciliations, and also to seek out the accountant to reconcile externally with her records. We encourage her to continue her efforts in this regard. At the same time, we suggest that the treasurer keep a record of attempts to meet with the accountant, and provide a monthly reconciliation report to the town administrator.

### ***RECOMMENDATION 32: CREATE A CASH HANDLING POLICY AND SECURE TURNS***

We recommend that the treasurer secure cash turnovers. Currently, if the treasurer is in her office, a departmental turnover is received, counted, and a receipt is issued. If the treasurer is out of her office, the turnover can be left on her desk (even though the treasurer has been actively discouraging this practice) or given to the collector across the hall. (The collector leaves her turnovers in the main vault for the treasurer to collect.) Upon the treasurer's return to her office, she counts the turnover and forwards a receipt to the department.

In order to secure cash turnovers in town hall, the treasurer should request a floor safe or secure lockbox with a "deposit slot" in which departmental turnovers can be placed. The collector might be given access to the combination or provided with a key in case her turnover is so large that it will not fit through the slot. While we strongly encourage the transfer of town receipts between responsible individuals, a safe or lockbox at least offers a secure alternative. In any event, department heads should be officially instructed not to leave unattended turnovers on the treasurer's desk.

We further recommend that the treasurer create a cash-handling policy for all departments (including the collector). It should include at least the following set of criteria:

- 1) Use secure plastic cash-handling bags for turnovers (available through the treasurer's office).
- 2) Personally turnover cash to the treasurer, or place in the floor vault or lockbox.
- 3) Give customers receipts when accepting cash and keep a copy for department records.
- 4) Keep receipts of turnovers in accordance with the state Secretary's record disposition guidelines.

We recommend that the treasurer redesign departmental turnover sheets. In order to streamline the turnover process, and avoid keying errors, many communities are designing turnover sheets in a single format on Microsoft Excel, which is then customized by department. Typically, the form is created once as a template and emailed or manually distributed to each department. The name of the department is at the top of the page with appropriate locations at

the top or bottom for dates, affirmations and signatures. The form is also preprinted with a list of all the revenue types that originate from the department and a second column with corresponding account numbers. A third, blank column allows for the manual entry of turnover amounts.

When entered electronically, the total is automatically calculated at the bottom.

Although these recommendations may take some time initially to implement, they will reduce errors and save time in the future.

### ***RECOMMENDATION 33: RESOLVE OUTSTANDING TAX TITLE RECEIVABLES***

We recommend that the treasurer initiate a program to reduce tax title accounts. As of June 30, 2003, tax title accounts numbered 26 properties with a total outstanding balance due the town of \$229,982. Of that total, five properties account for \$111,647 in taxes due.

When preparing her budget, the treasurer should request an appropriation for the legal costs to move tax title properties through Land Court. In the absence of an appropriation, she must report the amount needed to the assessors so that it can be raised through the Tax Recap Sheet. (See DLS Bulletin, Budgeting for Expense of Tax Title and Foreclosure, January 1999 at [www.dls.state.ma.us](http://www.dls.state.ma.us)). As part of a tax title program, she should communicate with taxpayers prior to important dates. For instance, letters should be sent informing delinquent owners of her intent to file a petition for foreclosure in Land Court which leads to selling the property at auction to recover back taxes.

The initial thrust of the program should target the five accounts that represent \$111,647 in taxes due. The remaining accounts should be organized into groupings based on land of low value, parcels under single ownership, accounts with bad addresses and deceased property owners, existing partial payment agreements and all remaining accounts. She should then tailor a program to pursue each group by the most efficient means available. Once delinquent property owners have evidence of the town's seriousness to pursue back taxes, collections should improve.

### ***RECOMMENDATION 34: DISCONTINUE MANUAL RECORDS***

We recommend that the treasurer discontinue her manual records. To her credit, most of the treasurer's files are electronic. However, her cashbook is still in manual form. Because she keeps her documents on the central accounting server, the treasurer should stop maintaining manual records, and instead rely on an electronic cashbook. This will save her time as she performs her day-to-day duties.

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## ***Acknowledgements***

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