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## INTRODUCTION

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

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits, the team interviewed the members of the board of selectmen and finance committee, the tax collector, treasurer, assistant treasurer, assistant assessor and staff members, as available, in each office. Among others interviewed were the town clerk, the computer administrator, the supervisor of the waste water treatment plant.

Division staff examined such documents as the tax recapitulation sheet, town reports, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town meeting minutes in addition to other assorted financial 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 board of selectmen, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among town boards and officials. However, in our view, there are certain outstanding issues, enumerated herein, which demand attention if the town is to operate efficiently and in satisfaction of its fiduciary responsibility to its citizens.



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## EXECUTIVE SUMMARY

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General - Palmer is a former mill town of about 12,500 people and 32.14 square miles located 15 miles east of the City of Springfield within the Interstate 90 (Massachusetts Turnpike) corridor. The town is comprised of four villages (Palmer, Thorndike, Three Rivers and Bondsville), but with the exception of four separate fire and water districts, it operates as a single governmental entity under a state charter and a local code. It is governed by an open town meeting with a 3-member board of selectmen. Other elected town officers include the clerk, treasurer and the town collector. Finance-related, standing committees include a 15-member finance committee (appointed by the selectmen) and a 3-member board of assessors (elected). Finance-related staff include a full-time accountant appointed by the selectmen and a full-time assessors' assistant appointed by the board of assessors.

The dominant physical characteristic of Palmer is the flow of four major rivers through its boundaries which, together with sloping topography and wetlands, presents constraints to development. With the passage of the Rivers Act, which requires new development to be set back 200 feet from all river banks, a substantial amount of acreage is controlled resulting in a shortage of prime development land particularly for industrial uses. Zoning regulations in need of updating have also hampered new residential development, while the absence of industrially zoned land has stalled the flow of new jobs into the town. Consequently, the town of Palmer has not benefited, to the same degree as other Massachusetts communities, from the kind of growth that has accompanied the strong, long-term economic trend in the region.

Between FY92 and FY00, the assessed value of all real property declined causing an overall 11 percent decrease in the town's total assessed value. Only personal property value, buttressed by utility company equipment, increased over this period. Palmer's equalized valuation (EQV) increased 4.5 percent between 1996 and 1998, but was below the state-wide average increase of 8.2 percent, and its proposed EQV for 2000 is 1.3 percent less than in 1998. In FY92, 35.8 percent of the town's total receipts originated from state aid. By FY00, the town's reliance on state aid increased to where it now represents 48.4% of the town's total receipts.

In terms of demographics, the town population has remained relatively unchanged over the last 30 years increasing only 7 percent from 11,680 in 1970 to its current estimate of 12,500 people. The number of births in Palmer has been lower in each of the last four years than in any year since 1988, and building permits for new single family construction are also on a downward trend, steadily decreasing from 34 in 1995 to 26 in 1999. The K-12 school enrollment has shown annual increases in recent years, rising from 2,050 in 1996 to 2,236 in 2000, but with declining new housing starts and birthrates, the trend may not continue. Over the last five years, annual new growth which can be a significant contributor to increases in the town's levy limit, averaged 1.9 percent per year in Palmer compared to 2.2 percent state-wide.

Like other communities, Palmer has incurred increasing debt over time. Borrowing reached \$33.5 million in FY91 primarily to finance the construction of a high school. Town decisions concerning capital improvement projects in the near future are likely to focus on the construction of a new police station, space issues at town hall, and financing for the combined sewer overflow (CSO) project. Additional school renovation or construction might also be addressed.

The town of Palmer has, however, taken recent action to improve its situation. With the goal of creating an environment that fosters and attracts new development, the town has created a full-time, town planner position. The position is further intended to coordinate communication, now lacking, between and among the planning board, zoning board of appeals, conservation commission and redevelopment authority. In order to free-up potentially developable land, the town has prepared an appeal to the state for a waiver from set-back requirements under the Rivers Act. Town meeting updated the zoning regulations and will be asked in the near future to approve modifications to the zoning map to create additional industrial districts. In the meantime, Palmer is working to forge an agreement with the neighboring town of Ware to develop a 120 acre industrial park which would straddle the town line. The town has also implemented financial practices in the last two years that have resulted in positive free cash and substantial appropriations to its stabilization fund. In regard to personnel, clerk positions in the assessors' and treasurer's office were recently filled and the town is currently negotiating the contract for a new town administrator.

These efforts have and will continue to produce positive results, but areas of concern persist. In particular, the town faces a diminishing volunteer base, and a turnover in leadership due to a series of vacancies in town offices. The day-to-day administration of the town's business and coordination among offices have suffered due to the absence of an executive secretary. Under the town's charter, the finance committee is comprised of 15 members, but has operated, over the last year or so with only nine members. Within the next four months, three and perhaps four members may depart for varying reasons.

*Fire and Water Districts* - Palmer has four fire and water districts that operate separate from town departments. Because each district has legislative authority to assess taxes and issue debt, they present special problems for the town clerk, assessors and collector. The districts prepare separate recap sheets and set annual tax rates based on expenditures approved at district meetings and on the town assessors' valuation of properties located within their respective boundaries. District taxes are committed by the town assessor and as a matter of expediency, are included on the town's tax bill. The town collector receives tax payments, handles abatements and exemptions on behalf of the districts, and regularly turns over receipts to the districts from the collector's account. Together, town staff expend significant hours, and the town incurs indirect costs, each year ensuring that fire and water district assessments and taxes are certified, committed and collected. For these reasons, most Massachusetts communities have concluded that a system of multiple districts is an inefficient mechanism for providing services and have abandoned them in favor of town-wide departments.

Computers and Software Technology - The town's switch, beginning in 1997, to Gemini software for the assessor, collector and accountant has not worked-out. Wide spread dissatisfaction with initial training, software glitches, and technical support has caused the town to begin a move away from Gemini and toward the MUNIS system. The absence of a town policy in dealing with the vendor also exacerbated relations. At the same time, increasing demands on the part-time computer systems administrator strongly point to the need for a full-time position.

Collector - In the collector's office, the procedure for collecting and posting tax payments demonstrates diligence, but unnecessarily delays the deposit of receipts into the town's accounts. It should be streamlined. The town's free cash position could improve if properties, with unpaid taxes dating back to 1992, were placed in tax title, and cash flow could improve if sewer bills were mailed earlier in the year. As a result of software deficiencies, municipal lien certificates are completed by hand, and because of format changes initiated by the deputy collector, motor vehicle excise bills create problems for taxpayers and the collector's staff. Both these issues can be addressed to improve office efficiency. In regard to fire district tax payments, the collector should turnover receipts to an agency account, so that payments to the districts can be made through the warrant process.

Treasurer - The treasurer's office currently utilizes a mix of Gemini software, Excel spreadsheets and hand-written spreadsheets in its record keeping. In order to establish a cash book, and to maintain check registers, monthly reports and cash reconciliations with greater efficiency, the assistant treasurer should make more uniform and effective use of Excel spreadsheets. The current practice by the treasurer of recording payroll withholdings as cash receipts involves unnecessary and redundant data entry. It can be eliminated if the treasurer were to provide the accountant with pay period totals of gross salaries, all withholdings and net salaries for inclusion on the warrant for selectmen approval. Setting-up a cash book by day by account will also help to reduce data entry. Payroll detail as reflected in the payroll journal would be attached to the warrant and would be referenced in the cash book. In regard to the school payroll, the lack of communication increases the treasurer's workload when "after the fact" adjustments must be made to withholdings due to changes in employee status. A procedure for providing notice between the school department and treasurer should be established.

Assessor - Working in an open office with no privacy, the assistant assessor is often distracted from the important tasks of preparing recap sheets, setting the tax rate, developing new growth estimates, etc.. With minimal construction, a private office can be created within the existing space. Given the stated intent of the assistant assessor to conduct inspections of sale and building permit properties in-house, which are critical to completing annual property adjustments and triennial revaluations, time management issues become paramount and should be addressed. Complicating the operation of the assessors' office is the time devoted to fire districts. Regarding cyclical inspections, the town has failed to develop a data collection program and is typically forced to engage outside consultant services to meet deadlines. A more methodical, long term approach should be devised and implemented.

Accountant - The accountant maintains a general ledger, prepares town payroll and vendor warrants, and produces monthly revenue and expenditure reports. She extracts payroll data from Gemini, but should become more familiar with Excel spreadsheets to avoid having to re-key cash receipt data she receives from the assistant treasurer. To help achieve record keeping efficiencies, the accountant should identify total gross salaries, total withholdings and total net salaries, with detail attached, in the town payroll warrant for selectmen approval. With the resolution of certain computer problems, the accountant should now work with the treasurer/collector to establish a regular routine for reconciling cash, and for reconciling receivables.

Financial Management - The involvement of the selectmen in the financial management of the town centers around the annual budget process and the approval of vendor and expense warrants throughout the year. The finance committee takes a lead role during the budget process at which time it also collects information and makes recommendations relative to capital needs. The accountant, assessors' assistant, and collector/treasurer contribute as required. Lacking is the role of an active town administrator, whose central position can enhance coordination and communication during and outside the budget process. The town would also benefit from the re-establishment of the financial management team and a capital planning committee. At present, the town has no mechanism in place that can serve as a financial resource to policy makers, that can complete long-term forecasts of revenue and expenditures, that can assess current capital assets or prioritize future capital needs.

Conclusion - The town of Palmer appears to be emerging from a period when personnel turnover, vacancies and computer problems contributed to a disruption of town government. The town is, however, at a juncture. By the end of calendar 2000, a major step will have been taken to install a computer system that works for all offices. A new town administrator and a new planner will have acclimated to their respective positions, as will new clerks in the treasurer and assessors' office. The selectmen and each finance-related office will have had the opportunity to consider and implement the recommendations of this report, which together, represent a series of steps intended to increase the capabilities of the current town administration. At the same time, these recommendations offer a framework for financial management that will remain in place and provide stability over the long term, as officers, boards and committees change. What remains critical to Palmer's success is the willingness of those involved in the administration of the town's business to cooperate with each other to advance community interests, and to maintain open lines of communication for the exchange of ideas and information.

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## SUMMARY OF PRIMARY REPORT RECOMMENDATIONS

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- 1) Technology: Expand the computer administrator to a full-time position; identify the administrator as the vendor contact; establish a long term technology plan. [page 9]
- 2) Collector: Streamline the collection process to allow more frequent deposits of receipts to the town's accounts. [page 12]
- 3) Collector: Commit to a process of placing properties in tax title. [page 13]
- 4) Collector: Mail sewer bills more than once per year and establish an enterprise fund to receive and expend sewer funds. [page 14]
- 5) Collector: Establish an agency fund to receive fire district tax receipts and turn over receipts to the districts through the warrant process. [page 15]
- 6) Treasurer: Establish a cash book by day, by account, modify the schedule of receipts and generally expand the use of Excel spreadsheets. [page 17]
- 7) Treasurer: Establish a process to receive timely notification from the school department of changes in employee status. [page 18]
- 8) Treasurer: Discontinue logging payroll withholdings as cash receipts. [page 19]
- 9) Assessor: Create private space, delineate staff responsibilities and more efficiently manage time. [page 21]
- 10) Assessor: Establish an in-house process for the systematic collection of property data involving sales and building permits. [page 22]
- 11) Assessor: Establish an in-house process for completing annual adjustments, triennial revaluations and cyclical re-inspections. [page 23, 24]
- 12) Accountant: Prepare payroll warrant with gross salaries, withholdings and net salaries in the aggregate, and attach payroll detail by employee. [page 25]
- 13) Financial Management: Encourage the active role of the town administrator in the budget process and overall financial management of the town. [page 26]
- 14) Financial Management: Re-establish a financial management team. [page 27]
- 15) Financial Management: Establish a capital planning committee and capital improvement approval process. Complete revenue and expenditure forecasts. [page 28, 29]
- 16) Financial Management: Schedule the treasurer/collector to meet monthly with the accountant to reconcile cash and receivables. [pages 15, 25]
- 17) General: Develop a program to attract volunteers to government. [page 31]
- 18) General: Initiate a program of public record retention and disposal. [page 31]
- 19) General: Formulate policies on staff accountability, recourse, and advancement. [page 32 ]

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## COMPUTERS AND SOFTWARE TECHNOLOGY

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In 1997, the town made the initial purchase of computer software, software training and support from Gemini, Inc. for the collector, treasurer's payroll function, accountant and assessor. However, widespread dissatisfaction with Gemini, as a company, and with the performance of the software arose early in the relationship as many town hall users feel that training was inadequate and that the company became increasingly unresponsive to calls for technical support. To some extent, personnel changes contributed to the company's problems, but eventually, friction between the town and the company became so aggravated that lawyers intervened. All calls from the town are now routed to the voice mail of a Gemini sales representative, rather than to technical support representatives or directly to a technician. According to town personnel, timely responses are rare under this new system, prompting an effort to solve problems in-house. In any event, the result is a stoppage of work among town hall staff and frustration with the software.

The assessor's office has since moved to Vision Software, while the collector's personnel and the accountant have lost confidence in the ability of Gemini to produce accurate reports. All are reluctant to rely on the software and, in some instances, maintain duplicate hand written records. Until problems are resolved, the treasurer is also unwilling to move forward with the purchase of the Gemini cash receipts module.

On-going software and hardware issues have caused increasing demands on the time of the town's part-time computer systems administrator. Originally engaged as a five-to-six hour per week, \$2,000 per year, part-time employee, the computer systems administrator currently devotes in excess of 40 hours per week on computer issues for \$4,000-\$5,000 per year. Although he is not always the first contact for town personnel on Gemini issues, he does deal with the company on the town's behalf. Given the number of hours expended, the computer administrator has clearly become an important resource in town hall on computer issues. Judging from the experience of other communities, as Palmer grows, its reliance on computers and on a computer systems administrator are likely to increase.

Dislike for the Gemini system lead to the formation of a Computer Study Committee to explore whether the town should convert to another software vendor. An apparent preference for MUNIS (whose parent company also owns Gemini) has emerged. We were advised by the town that the estimated cost to install MUNIS and to cover initial training for the Palmer treasurer, collector and accountant offices would be about \$156,000. Conversion and integration of prior year records would involve additional, unknown costs, as would on-going technical support.

Ultimately, the town determined that beginning July 1, 2000, the maintenance agreement and charges for technical support with Gemini will switch from the prior succession of one-year, fixed fee contracts to a "per call" basis. The town also decided to shift to MUNIS and authorized the



initial installation of the software in September in the collector's office. If satisfied with software performance and vendor support, installation of MUNIS is likely to expand into other finance offices.

### ***RECOMMENDATION 1: SOFTWARE APPLICATIONS***

To achieve optimum efficiency, all town computers should be connected and software packages should be compatible. Electronic communications would then be enhanced, data transfer would be immediate and information displayed on all computers would be up-to-date. However, for the immediate future, full compatibility among Palmer's finance offices will be precluded by a mix of incompatible software applications. As a start, the installation of MUNIS in the collector's office should provide full capability to handle all property tax billing and collecting, municipal lien certificates, and tax titles. In the meantime, we would expect the town hall staff to continue their persistent and resourceful circumvention of the software idiosyncrasies that inhibit Gemini's use, and that might arise with MUNIS.

Although DLS can not provide technical support in the operation of Gemini or MUNIS, we recommend the following strategies in dealing with any software company or vendor:

Identify a person to be the "first point of contact" for dealing with vendor support. The intent here is not to buffer staff from having contact with the company, but to establish a process that produces the best "support" results for the town. Software companies generally prefer, and some actually require, the designation of a single contact person by those who purchase their product. Nonetheless, there will be frequent occasions when the need to place staff in contact with technicians arises as the most practical means to resolve a computer problem.

We recommend the town create a full-time, computer systems administrator position with a salary commensurate with the job description and hours required. The time demands on and the present pay scale of the Palmer computer systems administrator job make it tantamount to a volunteer position. Should the position be vacated, it is unlikely the town would find a qualified replacement who would be willing to work under a similar arrangement. What is certain is that as the town grows, so will its computer and technology needs and, in turn, its reliance on its in-house computer systems administrator.

Implement a system where users (staff) report problems and/or needs to the computer systems administrator, and not to the vendor directly. The point person can prioritize the town's computer issues when presented to the vendor, ensuring that the most urgent issues get immediate attention. He can maintain a request log to track incidents requiring in-house or vendor intervention. A log can reveal specific areas of the system proving problematic from a technical standpoint, or that require additional training of users. The log can also serve as a mechanism to ensure that all requests are solved in a timely fashion. The point person would be in a position to make repeated calls, when necessary, to an unresponsive vendor. This relieves town hall staff from diverting workday time to the task.

Participate in user groups. Whether or not software users have the same problems, peer relationships and the collective analyses that emerge from a user group can be effective in replacing vendor-sponsored support. The IT Director in the town of Sharon has been

instrumental in the formation of a Gemini user group. To help itself, the town should seek out a MUNIS user group as well.

Review the town's maintenance contract with the vendor. Become familiar with the terms of the agreement between the vendor and the town. Be certain of the vendor's support obligations and follow its support procedures. Persistently pursue satisfaction when you believe the company has failed to fulfill the terms of the contract and do not be reluctant to move your complaint up the company hierarchy when warranted.

It is not the role of DLS in the preparation of this report, or otherwise, to recommend or endorse one software developer or its product over any other. Should the town determine that complete abandonment of Gemini in favor of an alternative software company is in its best interest, however, we would offer the following observations: *A decision to switch will involve a major expense for software and training, as well as for the possible purchase of new equipment. There will be potential data conversion issues, a cost associated with inevitable departmental downtime and frustrations associated with a steep learning curve. Finally, the town will have to be satisfied that the new company can provide timely and effective support service.*

Therefore, as part of the software company selection process, we strongly encourage town officials to contact their counterparts in other communities which have some experience with the software under consideration in Palmer. Company sale demonstrations are almost always impressive, but real insight into the capability and performance of software is best gained through the observations of real-life users.

## ***RECOMMENDATION 2: LONG TERM TECHNOLOGY PLAN***

We recommend the town retain the computer study committee through the successful conversion to the MUNIS software. Over the same period, the committee should develop a long-term (five to ten year) technology plan. Computer software conversions invariably give rise to unexpected issues and require policy decisions to be made. The computer study committee is well represented and best equipped to consider and resolve these matters. A technology plan would address current and future departmental needs, and incorporate computer hardware and software upgrades into the town's capital-planning program. Over the long-term, the committee might meet annually to review the town's computer capabilities in the context of the rapidly advancing technology available to communities.

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## COLLECTOR'S OFFICE

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General - The collector's office is staffed by a full-time, elected collector who has held the position for just over a year and is also the elected, town treasurer. He is assisted by two full-time (principle clerk, sewer clerk) and two part-time clerks. Office hours for the collector and full-time staff are regular town hall hours (9 AM-4 PM, Monday-Friday) and vary through the week for part-time staff. To some degree responsibilities overlap, and all four of the office staff assist at the window as needed.

Volume of Activity - In FY00, the office collected taxes for approximately 6,000 real estate parcels and 600 personal property accounts on a quarterly basis, annual sewer charges for 3,500 properties and in excess of 15,000 motor vehicle excise tax bills, the bulk of which are mailed in January. Taxes assessed by the four fire districts are also included on the town's real estate tax bill and are received by the collector. Once posted and deposited, amounts are distributed by check directly from the collector's account to the individual districts outside the warrant process. The collector receives parking fines, issues municipal lien certificates (about 600 per year) and is responsible for pursuing delinquent tax accounts for both the town and fire districts. Approximately 75 percent of the tax payments and sewer charges are made by check and received through the mail. The remaining payments are received over-the-counter, a portion of which are in cash.

Collection Process - The collector's office recently modified its procedure for processing checks, received by mail and over the counter, to one that is consistent with our recommendations herein. The process now allows a more rapid transfer of revenue into the collector's account. To date, it has been implemented in the collection of motor vehicle excise payments and sewer payments, but will receive a major test with the start of the next quarterly property tax payment period (August).

Tax Titles - The collector's office is also responsible for placing properties in tax title and initiating the process for collecting unpaid taxes. However, due in part to computer issues (Gemini won't produce real estate demand bills) and otherwise to turnover in the collector's position, no properties have been placed in tax title since 1992. According to the town's balance sheet for the year ending June 30, 1999, \$1,310,773 in real estate and personal property taxes remains uncollected from prior years dating back to FY90. With the shift to MUNIS in September, a tax tile package should be available to the collector's office.

Sewer Collections - Sewer charges are committed by the selectmen and 3,500 bills are sent out annually, usually in April, and typically late in the fiscal year. In FY00, the sewer charge is a flat \$192 per year for residential users. Total sewer collections in FY99 for residential and commercial users was \$1.3 million, but was not sufficient to cover the cost to the town of providing this service. Because of delays in completion of the Gemini sewer module, bills were

not mailed for the current fiscal year until early May. In prior years, hand-generated bills were sent-out in April.

Motor Vehicle Excise - Jeffrey and Jeffrey, a deputy collector, retrieves Palmer motor vehicle excise tax information from the State Registry of Motor Vehicles, prints the excise bills and forwards them with a data disk to the town. Beginning in FY00, the deputy collector changed the bill format to include a 6 x 3.25 inch invoice to be remitted with payment, and a 2.5 x 3.25 inch receipt stub to be retained by the taxpayer. As a result of confusion among taxpayers, a mix of invoices and stubs are returned to the collector's office with payment. When batches are formed for posting, the smaller stubs are sometimes lost among larger invoices. At the very least, record storage is awkward and inefficient.

Receivables - Palmer's schedule of outstanding receivables as of June 30, 1999 showed variances in real estate taxes, deferred property taxes, motor vehicle excise as well as significant variances in tax titles and foreclosures. The town's outside auditor also uncovered a discrepancy in sewer receivables. In the past, the collector has had difficulty reconciling receivables with the accountant due to computer problems that developed when trying to initiate the new fiscal year. Now that these issues have been addressed, the collector and accountant have agreed that the time is appropriate to schedule regular monthly meetings to reconcile receivables.

### ***RECOMMENDATION 1: TIMELY DEPOSITS***

We recommend office procedures for receiving and recording tax payments be streamlined to allow more timely deposits to the collector's account. The language of MGL Ch. 60, § 2 directs that every collector must, once each week or more often, pay over to the treasurer all money received for taxes and interest during the preceding week, or lesser period. To help achieve this goal, we recommend the following procedure. In doing so, we also recognize that, as a result of our meetings, the collector's office has already adopted a collection procedure consistent with our recommendations.

- 1) Receiving Payments - Upon receipt of a real estate tax payment over-the-counter, or by mail, visually verify that the check amount matches the amount due on the bill and that payment is for the current fiscal quarter.

- If the amounts match and the payment is current, mark the tax bill with the check number, then place the check and the bill in separate, designated under-counter slots.

- If the amounts do not match, if the payment is for other than the current quarter, or if any other oddity presents itself, keep the bill and check together and place in a designated slot.

- If a cash payment is received, so note on the invoice, then keep the invoice and cash together and place in a designated slot.

-Replicate the process, with designated under-counter slots, for motor vehicle excise receipts and for sewer receipts.

- 2) Bank Deposits - Set aside a time period at mid-day and at the end of the day to prepare bank deposits of checks and cash. It would be understood that during these periods, a collector's clerk would not be available to work the counter. If possible, locate the collector's clerk in an area of privacy for this task.

-Run a tape of the check receipts and create a batch with the corresponding bills. Deposit checks and cash by the end of the day. Receipts need not be posted before being deposited.

-As time permits, reconcile receipts where amounts do not match, the payment is for other than the current quarter, or some other oddity presents itself.

- 3) Posting - As soon as possible and practical, cash and check receipts should be posted, by batch, and a reconciliation between a summary statement of postings with corresponding deposits by batch should be completed.

This procedure recognizes that if a check is accurately matched to the tax bill upon receipt, it is not likely to be source of a later reconciliation issue. If a discrepancy arises when the tape, or deposit slip is reconciled with a computer summary of posted transactions, it will most likely be found among the cash receipts, or atypical check payments. Since the volume of cash receipts is usually smaller than check receipts, resolving a reconciliation problem becomes a much easier task.

## ***RECOMMENDATION 2: TAX TITLES***

We recommend that the collector act as quickly as possible to initiate and commit to the process of placing properties in tax title. The execution of a systematic and deliberate program to collect taxes owed is intended not only to recapture revenue, but to establish a clear policy that, in the future, tax delinquents will be aggressively pursued. Through the tax title process, the town's lien on the property is secured and its financial interest is protected. By delaying to place properties in tax title, the town runs the risk of losing its right to collect outstanding taxes if title to the property changes hands. Administratively, placing properties in tax title would transfer responsibility for collection of the taxes from the collector to the treasurer, leading to the commencement of foreclosure proceedings. This has proven the most effective remedy for communities in the collection of real estate taxes, and could have a significant positive impact on the town's free cash.

At approximately \$1,310,773 (as June 30, 1999), tax receivables are high and are likely to involve a substantial number of individual properties. Since a separate tax title must be prepared for each, and with limited computer support, the task of placing properties in tax title will be labor intensive. To help relieve pressure, the town should engage the services of a tax attorney. In the long run, responsibility for tax titles should be written into the job description of an individual in the collector's office. However, the immediate effort should be to clear the

collector's books of tax receivables in as short a period as possible. We encourage the collector to devise a realistic schedule for issuing demand notices and subsequent notices of taking to delinquent property owners.

### ***RECOMMENDATION 3: SEWER BILLS AND LIENS***

We recommend that sewer bills be sent-out semi-annually, or at least, that a single bill be sent earlier in the fiscal year, and that the payment period(s) be targeted for "off-months". Palmer is on a quarterly tax payment system and is typically successful in mailing its tax bills by July 1 and December 31 of each year. As a result, collection activity is highest during the months of July, October, January and April. Motor vehicle excise tax collections are heaviest in January of each year. In this context, we would recommend sending sewer bills out twice a year by September 1 and March 1.

In this way, all or half of the potential sewer revenue can be available and earning interest income for the town early in the fiscal year. By scheduling the billing and payment periods in between other tax payment periods, the burden on the collector's office is lessened. The cost increase associated with a second mailing would be modest and more than off-set by the interest earned on early collections. If, however, the town continues to send-out sewer bills once per year, for the reasons stated, we recommend that the commitment and mailing occur by September 1.

We also suggest the town consider establishing an enterprise fund under MGL Ch. 44, §53F½ to receive and expend sewer funds. This would allow the town to show which portion of the total cost to provide sewer services is recovered through the sewer fee versus the tax levy. It would also provide a basis for increasing the flat rate to more closely cover actual sewer costs to the town.

### ***RECOMMENDATION 4: MOTOR VEHICLE EXCISE TAX BILLS***

We recommend the collector communicate to the deputy collector the town's dissatisfaction with the invoice format for motor vehicle excise bills. Changes that fail to advance efficiency and effectiveness in the management of the collector's office are best abandoned in favor of alternatives. In this context, it is clear that the new motor vehicle invoice format has created several problems for taxpayers and collector's staff, but has produced no apparent benefit to justify its use by the town. We suggest the town approach the deputy collector with its concerns about the format and express its desire to pursue alternatives.

### ***RECOMMENDATION 5: RECONCILIATION OF RECEIVABLES***

We strongly recommend the collector take the necessary steps to identify and reconcile variances in receivables with the accountant. Beginning in FY00, the Bureau of Accounts required a schedule of outstanding receivables to be submitted with the town's balance sheet for free cash certification. This schedule compared receivable balances for personal property, real estate, motor vehicle excise, tax liens and tax foreclosures per the accountant's general ledger with balances per the treasurer/collector's detail. Any variances must be reconciled as of June 30, 2000 in order for the town to have its free cash certified for the upcoming year. As of June 30, 2001 all other receivables (water, sewer, ambulance, etc.) must be in agreement. To meet these requirements, the collector and accountant should agree and commit to the schedule to meet at the end of each month to complete reconciliations of receivables.

***RECOMMENDATION 6: COLLECTOR PAYMENTS TO FIRE DISTRICTS***

We recommend that all taxes and interest received by the collector on behalf of the Palmer fire districts, be turned-over to the treasurer for deposit into an agency, or liability fund. We further recommend that payment of taxes and interest due the fire districts be authorized through the warrant process and paid by the treasurer. MGL Ch. 44, § 53 directs that all monies received by an officer, board or department must be paid to the municipal treasury unless otherwise specifically provided by law. MGL Ch. 41, §§ 52 & 56 direct that the accountant review all bills and prepare a warrant, that the selectmen approve the payment of all bills, and that the treasurer pay no money from the treasury except upon warrant approval by the selectmen. This is the prescribed method of municipal payments whether or not the obligations originate with an invoice. Because the district tax receipts are assets that belong to other than the town of Palmer, they are appropriately held in an agency or liability fund, until conveyed. This account can be set up by the accountant.

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## TREASURER'S OFFICE

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General - The treasurer's office is staffed by a full-time, elected treasurer who has held the position for just over a year and is also the elected, town collector. He is assisted by a full-time, assistant treasurer with 17 years experience and a recently hired, full-time, payroll clerk. The office maintains a record of receipts and balances, as well as check registers for the various town accounts. A cash reconciliation sheet is completed on a monthly basis, while a record of disbursements is drawn, as needed, from the check registers and from warrant detail. Although the information is contained in other documents, no independent cash book is maintained. The office prepares the weekly town payroll on Gemini software, including the adjustments for deductions and benefits, which is transferred in hard copy and via the computer network to the accountant's office.

Record Keeping - The assistant treasurer maintains a detailed record of receipts and deposits by date on an Excel spreadsheet. At the end of each month, it is forwarded to the accountant in hard copy, who then re-keys the data into her own Excel format sorted by account number. Although both the treasurer and the accountant have access to Excel, neither admits high proficiency in its use. The log of receipts and deposits has elements of a cash book and a schedule of treasurer's receipts, both of which are required records. Check registers for the various town bank accounts are maintained in the Gemini software. However, a cash reconciliation sheet that incorporates check register, warrant and receipt activity on a monthly basis, is hand-written. Other data transferred to the accountant includes a detailed listing of departmental turnovers (i.e., building department fees, planning board fees, etc.) to the treasurer.

Payroll - A weekly town payroll is developed through the use of worksheets passed from departments, exclusive of schools, to the treasurer identifying payable hours per employee. When keyed into Gemini, pay rates and gross salaries are generated. Through a single entry code, a desired sequence of deductions is applied to the gross salary of each individual employee. Computer payroll reports are run and totals, in gross and typically by department account, are reconciled to the worksheets. A payroll journal showing gross salaries, deductions and net salaries is printed and attached to the warrant by the accountant. After warrant approval, the accountant accesses the detail through Gemini at her terminal and posts the payments.

As part of the payroll process, a detailed listing by category of all salary deductions and benefit payments for town and school department employees is included as cash receipts by the treasurer. This group of entries is a balancing factor when reconciling (net) payroll checks to the (gross) warrant amounts. Each month, these items represent 25% of all cash receipts, and require about 80 lines of data entry by the treasurer's staff.



The school department payroll is processed by ADP, an outside agency every two weeks, based on time sheets provided by the school department. The town treasurer receives the ADP payroll journal from the school department which displays gross and net pay, together with deductions by employee, and a summary sheet by payment category. However, because the treasurer's department does not receive timely notification of employment changes, the town continues to cover the cost of benefits for persons who are temporarily or permanently off the payroll. At a later time, when notice reaches the office, the assistant treasurer must manually research the person's pay history to determine the overpayment, and charge it back to the employee.

Cash Reconciliation - The reconciliation of cash with the accountant has not been completed on a regular basis other than to comply with DOR quarterly report requirements. As noted earlier, obstacles presented by poor computer performance and delays in the deposit of receipts have been addressed. The treasurer and accountant have acknowledged the importance of meeting more regularly than four times per year to reconcile cash.

### **RECOMMENDATION 1: EXCEL SPREADSHEETS**

We recommend that the treasurer, accountant and/or their staff receive basic instruction in the use of Excel spreadsheets. The assistant treasurer tracks financial activity, and with the exception of payroll data, conveys information to the accountant on an Excel spreadsheet. This practice is likely to continue because of the inability of Gemini to perform as needed, and due to a period of delay in the use of the new MUNIS software. With a better understanding of the basic capabilities of Excel, which could be achieved in a single session, users will be able to format spreadsheets and sort data in a way that best serves their individual needs. In particular, the accountant could eliminate the task of manually re-keying data received from the assistant treasurer. Toward this end, the assistant treasurer and accountant must also confer and agree on the correct accounts numbers for all prospective entries.

### **RECOMMENDATION 2: CASH BOOK AND SCHEDULE OF TREASURER'S RECEIPTS**

We recommend the treasurer create and maintain a cash book on an Excel spreadsheet. Under state statutes, the treasurer is required to maintain a cash book that records 1) *receipts* as reflected in the detail of turnover sheets from the collector and department heads, 2) *deposits* which frequently equal turnover or warrant totals, and 3) *disbursements* as represented by the total payments approved through the warrant. At the end of each month, the treasurer should internally reconcile the cash book balance against the bank statements, and externally reconcile the cash book balance against the accountant's general ledger.

With slight adjustment, the monthly log of receipts currently generated by the assistant treasurer can function as a cash book. A sample format on an Excel spreadsheet, based on the assistant treasurer's cash receipts schedule, is included in the Addendum to this report. Changes are

limited to the addition of a "Totals" column and a "Disbursements" column. Entries are by day, by account, meaning receipts to the same account on the same day should be combined.

In addition to a cash book, the treasurer must also prepare a "schedule of treasurer's receipts" to be forwarded to the accountant. This report identifies all funds turned-over to the treasurer, by accountant number, over a specified period. We recommend this report be completed and passed on to the accountant on a weekly basis. Because the total turnover during the specified period should correspond to total deposits, the report also certifies to the accountant the total amount deposited into town accounts .

We recommend that the assistant treasurer complete her monthly cash reconciliation on an Excel spreadsheet. The assistant treasurer produces a hand-written cash reconciliation sheet each month based on bank account transfers, warrants and receipts. By transferring this process to an Excel spreadsheet, data would be keyed-in rather than hand written, and simple arithmetic functions could be incorporated. As a result, data can be more clearly displayed, totals can be automatically calculated, subtotals can be quickly tested and potential errors can be avoided. A sample spreadsheet is included in the Addenda to this report.

### ***RECOMMENDATION 3: PAYROLL DEDUCTIONS FOR SCHOOL PERSONNEL***

We recommend that the treasurer's office require timely notification from the school department of changes in employee status. This can be accomplished by developing a form to be completed by the principal in each of the town's three schools and submitted to the treasurer on a bi-weekly basis. The form would either identify school employees whose employment status has changed, or indicate that no changes have occurred. The form could be faxed to the treasurer as a routine matter. As a cross-check, ADP should identify omissions and additions in the payroll from pay period to pay period. This information could summarize each persons' gross pay, net pay and deductions and be included as a cover sheet to the payroll journal already being sent the treasurer via the school department.

### ***RECOMMENDATION 4: RECONCILIATION OF CASH***

We strongly recommend the accountant and treasurer/collector take the necessary steps to reconcile cash. Although quarterly reconciliations of cash are generally completed, as a matter of sound financial management practice, we suggest that monthly reconciliations be initiated. In advance of meeting with, or forwarding cash reconciliation worksheets to the accountant, the treasurer must conduct an internal review to ensure that cash book and journal entries match deposits records, turnover sheets and warrant amounts. Using the same source documents, the accountant will compare the results of her internal reconciliation to those of the treasurer.

### ***RECOMMENDATION 5: LOGGING PAYROLL WITHHOLDINGS AS CASH RECEIPTS***

We recommend that in the preparation and approval of payroll warrants, 1) gross salaries, total withholdings and net salaries for all employees be summarized, 2) that a payroll journal detailing gross salary, all withholdings and net salary by employee, or by appropriation account, be attached to the warrant, and 3) that withholdings no longer be recorded by the treasurer as cash receipts. It is the practice among some communities to approve employee salaries in gross and to bring back withholdings as a cash receipt. This procedure, however, is convoluted, requires unnecessary data entry by the treasurer, and overstates cash receipts as well as expenses.

In the alternative, acceptable municipal finance practice allows the selectmen to approve a summary of gross salaries, withholdings and net salaries in the warrant, with attached detail. The treasurer is thereby authorized to issue individual net salary checks to employees and to make the payments necessary to cover all withholdings. The aggregate amount of all checks and of all withholdings must equal the total net pay and withholdings approved in the warrant.

In the cash book, no additional entries are required as withholdings and net salaries are automatically included within the total warrant amount recorded. This procedure does not alter the responsibility of the accountant to review the payroll before it is placed on the warrant to ensure that payments are lawful and that funds are available to cover the expenditure.

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## ASSESSOR'S OFFICE

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General - The town of Palmer elects a three-member, part-time board of assessors which guides and directs the overall policies of the department. Among the present members, one has seven years experience on the board, while the remaining two have 12 and 18 months experience. Day-to-day office supervision is carried out by a full-time, assistant assessor (32.5 hours/week) with 11 years of assessing experience. Staff assistance includes a full time, principal clerk with five years experience and a recently hired clerk. Up until December 1999, this was a 25-hour slot, but has since been upgraded to 32.5 hours. The work environment for the assessors' assistant and two clerks is an open office, with no dividers or private space.

Volume of Activity - In Palmer, there are 5,423 taxable parcels among which 3,759 are improved residential, 370 are improved commercial/industrial and 1,165 are unimproved land. Of the town's FY00 total assessment, 78.9 percent is attributable to residential properties, 16.2 percent to commercial/industrial properties and 5.0 percent to personal property. The town also has about 120-150 arms-length, real estate transactions per year, and issues over 500 building permits per year, on average, of which 30 or so are for new residential construction.

The assessing department is primarily responsible for placing values on all real and personal property within the town for tax purposes. The department also generates the motor vehicle excise tax commitment list from data provided by the deputy collector, issues abatements, exemptions and abutters lists, prepares the town's annual recap sheet, sets the tax rate, and otherwise maintains property maps and data. All three office personnel assist at the window. The office has not executed in-house programs to complete cyclical re-inspections of all town properties, triennial revaluations, annual property adjustments, inspections of sales or inspections where building permits have been issued. In the past, some of these projects have been contracted-out as value certification deadlines approach.

Factors effecting general productivity involve office layout and time management practices. The open floor layout denies privacy to the assistant assessor and leaves her exposed to the every day distractions of the outer office. As a result, she is often drawn into conversations that may not require her attention, or away from her work to attend the window when staff are otherwise detained, however briefly.

The assessor's office has been further burdened by the fire and water districts. In particular, the assistant assessor is often prevented from submitting the town's recap sheet to DOR and receiving approval of the tax rate due to delays caused by at least one of the districts. According to the assistant assessor, what should normally be a two week process is extended up to eight weeks.

Property Inspections - For recent triennial revaluations and in relation to an overdue cyclical re-inspection, the town has engaged the services of Bishop & Associates (Agawam,

Massachusetts). The current contract calls for on-site inspections of all commercial and industrial property, a survey questionnaire mailed to all residential property owners with an inspection of 10% of the homeowner responses. Inspection of all sales that have closed in the last three years, and data input of all information gathered is also within the scope of work to be performed. The total cost under the current contract is \$78,800, including data entry.

Other - The town's tax rolls list 20 "owner unknown" properties, totaling 59.9 acres and \$349,200 in total assessed value. Pursuant to authorization of the Commissioner of Revenue, the town has assessed 12 of the parcels to "persons unknown", but no taxes have been collected.

In view of the above, the recommendations that follow are intended to raise the efficiency and level of professionalism in the assessors' office. To some degree, a structured program of time management is necessary to "catch-up" in areas that have been short-changed in the past because of the work place environment and staffing shortages. In any event, the creation of a positive work environment, the delineation of responsibilities among staff and a commitment to a methodical approach to time management will begin to deliver economic benefits to the town.

### ***RECOMMENDATION 1: OFFICE LAYOUT, WORK LOAD AND TIME MANAGEMENT***

We recommend that private office space be created in the assessors' office. With the construction of a wall and doorway, the assistant assessor's current desk area can be partitioned into a private office. With some privacy, the assessors' assistant could devote undisturbed time to the completion of routine tasks and major projects, and would be insulated from distractions originating in the outer office. As important, she would be able to conduct the business of the town, whether in personal meetings or by telephone, in a confidential and professional manner appreciated by taxpayers.

We recommend that the assistant assessor focus on substantive matters. We encourage the assistant assessor to delegate responsibility and encourage staff to perform independently. She should rely on her experienced, principle clerk to assist the recently hired clerk, who already has town hall experience, through an orientation period. She should then rely on their combined effort to manage the outer office and take-over routine administrative tasks that now consume her time. Toward this end, the assistant assessor should review with each clerk her respective office duties and re-establish office procedures. Responsibilities that include, but are not limited to, data entry, deed research, receiving applications and initial review, abutter's lists, filing, the bulk of the counter service and acting as recording secretary to the board should be assigned to staff. The assistant assessor should focus on more substantive matters significant to the development of new growth estimates, property value adjustments, the town's recap sheet, etc., much of which involves field work.

We recommend the assistant assessor set aside a block of time each day (i.e., one or two hours) during office hours, when she would be in the office, but not available to the public. This

would provide undisturbed time when the assistant assessor could return telephone calls, arrange meetings, review applications, complete analyses and otherwise take up tasks which are best accomplished in a quiet environment and over a prolonged period. It would also be an appropriate time for communication and the exchange of information with other financial officers in town hall.

We recommend the assistant assessor set aside all or part of one day per week for field work. This would include the inspection of sale and building permit properties, as well as other inspections and property visits relating to abatement applications, exempt properties, chapter lands and subdivisions. Field work, or inspections, are discussed in more detail below.

### ***RECOMMENDATION 2: INSPECTION OF SALE/BUILDING PERMIT PROPERTIES***

We recommend that the assessors place a priority on the systematic collection of property data relative to sale properties and properties for which building permits have been issued. The lifeblood of the assessor's office is property information. Unless accurate and up-to-date, the reliability of assessments, annual value adjustments, new growth estimates and tax recap submissions is undermined. In the normal course, the assessors gather property information through, 1) the inspection of recent sales, 2) the inspection of properties where building permits have been issued, and 3) pursuant to a cyclical re-inspection program.

Among the property information sources, the collection of sale data is most crucial. Sales analysis provides evidence of market trends, which form the basis of property assessments and annual adjustments to value. This is particularly important where the assessor intends to initiate an in-house practice to estimate annual adjustments to property values in between state-mandated triennial revaluations. However, the conclusions drawn from sales data are only as good as the quality of information collected. Therefore, it is imperative that sale data be collected as near to the sale date as possible and with specific information gathering goals in mind. Building permit inspections are useful in tracking new construction and property upgrades.

In Palmer, arms-length property sales range between 120-150 transactions annually and building permit inspections for new construction, additions and renovations average 140 per year. On balance, a regular program of property inspections for 260-290 properties per year represents a manageable task for the assistant assessor, particularly with the assistance of board members. In this context, data collection should be an on-going process.

- Once per month, the assistant assessor should compile a list of properties to be inspected. At the top of the list should be sale properties, extracted from the most recent list of transactions received from the registry of deeds, followed by building permit inspections.
- Field cards with property descriptions should be included with each property to be inspected. Each field card should be coded according to the type of inspection and a checklist should be included to specify information to be gathered. In most

instances, the property as it exists should be compared to the current record. Discrepancies or changes should be noted. In the case of sales, additional information related to the transaction should be sought.

- The assistant assessor should set aside a portion of a day each week for property inspections and should encourage board members to do the same.
- Information collected during inspections should be entered into the assessors' data base system on a regular basis by the principal clerk or clerk.
- Each month, the assistant assessor should generate a sales analysis for the prior month, as well as a year-to-date trend report. As a result, by January or February of each year, collection and input of sale data for the prior calendar year will be complete and ready for use in estimating annual adjustments to value.

### ***RECOMMENDATION 3: ANNUAL ADJUSTMENTS/TRIENNIAL REVALUATIONS***

We recommend that annual adjustments and the state-mandated triennial revaluations to residential properties be completed in-house by the assistant assessor. We support the stated goal of the assessor's office to complete annual value adjustments of residential properties in-house with the aid of Vision software. With a commitment to a program of regular inspections of sales, this is an achievable goal for the assessor's office as presently staffed. It is, however, dependent upon the timely inspection and analysis of sale properties, on the assistant assessor acquiring proficiency in the use of the mass appraisal component of Vision, and attaining a full understanding of the property valuation process. Once achieved, the triennial revaluation becomes nothing more than a third year of annual adjustments.

The town's next schedule triennial revaluation is for FY02 which is based on property values as of January 1, 2001. If the assistant assessor builds on data collected by Bishop & Associates under the current contract, and monitors the valuation process as completed by Bishop, she should be prepared to implement annual adjustments in-house. If necessary, the town could retain consultant services of Bishop & Associates under a limited arrangement for a year.

We recommend that the triennial revaluation of, and annual adjustments to, commercial and industrial properties be contracted to an outside consultant. The valuation of commercial and industrial properties involves a more complex process than the methodology applied to residential properties. On balance, it would be more cost-effective for a town the size of Palmer to contract-out this service.

### ***RECOMMENDATION 4: CYCLICAL PROPERTY INSPECTIONS***

We recommend that a cyclical re-inspection program to re-measure and list all town properties be implemented. State statute allows up to nine or ten years to complete cyclical property re-inspections. With 4,129 improved parcels, the task could be achieved through the re-inspection

of 459 properties per year, or 8-10 properties per week. These cyclical re-inspections would be partially off-set by sale and building permit inspections which involve 260-290 properties annually. If the volume of inspections proves too large relative to the available time of the assistant assessor and board members, the town should consider engaging the services of a data collector on a part-time, or per property inspected, pay basis.

***RECOMMENDATION 5: OWNERS UNKNOWN PROPERTIES***

We recommend the assistant assessor act on "owners unknown" properties. The assistant assessor should seek written authorization from the Commissioner of Revenue to assess the remaining 8 properties for which an owner is not identified as "owner unknown" parcels. If taxes remain unpaid on any of the 20 total "owner unknown" properties after a demand notice has been issued, the collector should proceed to take the properties in tax title. The treasurer can then foreclose the rights of redemption.



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## **ACCOUNTANT'S OFFICE**

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The town of Palmer has a full-time accountant, who has held the position for about 20 years and a full-time assistant with three years of experience. The office utilizes Gemini software and is networked to the treasurer's computer for the transfer of payroll data. The accountant maintains a general ledger, prepares town payroll and vendor warrants, and produces monthly revenue and expenditure reports. In the absence of an executive secretary, the accountant also prepares a working budget for the finance committee and selectmen during the budget process.

In the past, the accountant has been prevented from generating monthly trial balances because of problems with the Gemini software. However, after receiving technical support, the trial balance report function has been accurate in more recent months. The production of revenue reports by the accountant has been generally delayed due to the past practice of posting receipts before depositing checks in the collector's office. This issue has also been addressed and revenue reports have become more timely. Hampered by computer problems, the accountant and the treasurer/collector have not established a regular routine for the reconciliation of cash, or for the regular reconciliation of receivables.

In a management report dated March 31, 2000, the town's outside auditor presented recommendations to correct certain financial management practices and to bring the town into compliance with accounting principles. Recommendations relate to grants, bank transfers from specialized accounts and use of student activity funds. Others parallel recommendations in our report as they pertain to a long range needs program, capital budgeting, an integrated, town-wide computer system, the pursuit of tax titles and sewer accounts receivable. The outside auditor also noted that beginning in FY03, the town must comply with the new financial reporting module as specified by the Government Accounting Standard (GASB) #34. Specifically, the town must record all fixed assets on financial statements, present new statements, capitalize all past infrastructure assets, and capitalize future infrastructure acquisitions.

### ***RECOMMENDATION 1: GENERAL***

Consistent with prior sections of this report, we recommend, the accountant and/or her staff:

- Prepare town payroll warrant allowing selectmen approval of gross salaries, deductions and net salaries in the aggregate and attach payroll detail by employee
- Attain proficiency with Excel spreadsheets
- Confirm all cash receipt account numbers with the assistant treasurer.
- Establish a monthly schedule to meet with the treasurer/collector for the purpose of reconciling cash and receivables.
- Act to implement the most recent recommendations of the town's outside auditor

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## FINANCIAL MANAGEMENT

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In Palmer, organizational and fiduciary lines of communications have broken down and the flow of information has stalled in the past due to prolonged vacancies, absences associated with vacations and personal time, and to an abbreviated work week of 32.5 hours for full-time employees. Contributing to the problem has been on-going computer problems. The result has been the delayed production of financial reports, the slow, manual completion of every day tasks and general frustration among officers and staff. As significant, the town of Palmer has operated with a vacancy in the position of executive secretary to the board of selectmen since February. The former executive secretary functioned as chief administrative officer of the town, played a role in the budget process, held four other town positions and was a member of seven town committees. While some regarded her involvement as too widespread, the vacuum that exists in the absence of an executive secretary is also apparent.

The new position, described as a town administrator, will have expanded fiscal and budgetary responsibilities and will require a candidate with a strong financial background. The town administrator would continue to oversee the day-to-day operation of the town, and act as agent for the selectmen in collective bargaining and procurement matters. He/she would also be responsible for the development of capital planning/spending programs. It is our understanding that as of this date, the town has advertised the position, completed interviews and is currently in contract negotiations with a candidate.

The Palmer budget process begins in December with the selectmen's requests for appropriations from department heads. Absent an executive secretary, the accountant prepares a working budget using the Gemini budget module. No long term projections of revenues or expenditures are completed and no budget guidelines are distributed to departments. Finance committee hearings are held on a single day and a budget document is prepared for town meeting.

Outside the budget process, no mechanism is in place to monitor the town's financial status or project its future condition. Past efforts to establish a financial management team and a capital planning committee have not been successful. Part of the problem is attributed to declining volunteerism in local government. At present, the finance committee reviews capital improvement requests and a capital project fund has been established for anticipated costs.

### ***RECOMMENDATION 1: TOWN ADMINISTRATOR***

We endorse the town's action to hire a town administrator with strong financial management skills, and recommend additional emphasis be placed on organizational capabilities. The addition of a new town administrator, with expanded fiscal responsibilities, should go far to help direct the day-to-day operation of the town. With a new town administrator, a new selectman, a new planner, new clerks in the assessors' and in the treasurer's office, the possibility of a full-

time computer administrator and new computer software, the infrastructure necessary to support an effective process of government is in place.

The town administrator should be positioned at the center of the process. It is not his role to be a policy maker, but to serve as a liaison between the selectmen and the town's boards, committees and officers. With a full-time, town hall presence and involvement in the budget process, on the financial team and with capital planning, he can function as a natural source of information. As an administrator, he can oversee of the operation of government. He can monitor staffing levels and departmental needs, resolve conflicts, and generally take action to create efficiencies and maintain service levels. In the long run, the town administrator should bring stability to the framework of government and should work to encourage cooperation among departments and staff as they conduct the business of the town.

### ***RECOMMENDATION 2: FINANCIAL MANAGEMENT TEAM***

To advance the town's financial management process, we recommend that the town re-establish a financial management team. The structure of local government is bound together by statutes, local charters and by-laws intended to create relationships, independent and overlapping responsibilities, as well as checks and balances that collectively ensure the smooth administration of the town's business. At the same time, effective financial management requires continuous interaction and cooperation between and among the town's policy makers and financial officers. The ingredients of success are reflected most by open and willing communication and by the systematic and timely exchange of accurate information. A financial management team is the first of many devices that advance these goals.

We encourage the town and its financial officers to re-commit to a financial management team that would include the town administrator, treasurer/collector, accountant, principal assessor and school representative. **(see Capital Planning recommendation below)**. The town administrator should function as the committee's chair. The committee should meet once per month, or as deemed necessary. To create permanence, we suggest the town consider enacting a by-law to establish the financial management team, its membership and responsibilities. A statement of responsibilities should be both specific, i.e., to include revenue and expenditure forecasting, and broad to allow involvement in unforeseen financial matters.

The financial management team would function as a resource to the board of selectmen, finance committee and school committee as each formulates policy. The periodic review of comprehensive financial data possessed by team members would produce a snapshot of the town's then-current financial status. The team would conduct cash flow analyses as well as analyze the financial impact of future events. It would identify critical junctures and offer early strategies to deal with anticipated areas of concern. It would also coordinate the collection of data and complete analyses that would serve as a basis for decisions by the town's policy-making bodies concerning debt limits, reserve fund levels, revenue/expense estimates and annual budget guidelines.

We want to emphasize that our recommendations are not intended to place the town administrator, the financial management team or its members in a policy-making role. Rather, they are intended to open formal channels of communication and contribute to the successful coordination of town's financial management.

### ***RECOMMENDATION 3: THE BUDGET PROCESS***

We recommend that the town define the role of the town administrator to include budget coordination responsibilities. We also recommend that the selectmen and the finance committee establish budget guidelines at the start of the budget process.

Budget Coordination - The town administrator should have a central role, on substantive and ministerial levels, in the coordination of the annual budget process. In this regard, he should solicit and receive department appropriation requests on behalf of the selectmen and finance committee, and should prepare a budget package including all requests with back-up documentation for their use. He should serve as liaison to department heads, disseminate information of importance and serve as a general clearinghouse for budget information. Issues raised by department heads involving budget procedural policy or process should be directed to the town administrator and resolved before the appropriation request is placed before the finance committee.

Develop Budget Guidelines - Through the on-going effort of the financial management team, the selectmen and the finance committee should be armed with sufficient financial data and analyses to arrive at budget guidelines prior to the start of the budgetary process. Based on long range forecasting and preliminary annual projections of available revenue, free cash, program costs, capital needs and debt levels, policy decisions can be made. The purpose of the guidelines would be to establish budget parameters consistent with the town's overall financial goals. Whether or not they are passed along to department heads, the guidelines represent a valuable tool for the board of selectmen and finance committee.

### ***RECOMMENDATION 4: CAPITAL PLANNING***

We recommend that the town, through the adoption of a by-law, create and empower a capital improvements program (CIP) committee pursuant to MGL Ch. 41, § 106B. Various options are available to cities and towns in deciding the make-up of a capital planning committee. In some communities, members are town officials who already serve on the board of selectmen, finance committee, school committee, planning board and so forth. In other communities, committee members are drawn entirely from the general public. A mix is also possible. In any event, we recommend the town administrator be included as an ex-officio member.

We understand that the town has included a capital planning function among the responsibilities of the new town administrator. However, the initial information gathering requirement will prove time consuming for a single individual.

The goals of the capital planning committee would include, but not be limited to, the following:

- Prepare an inventory of existing town facilities, real estate and other assets (condition, life span, utility, maintenance schedule)
- Determine the status of previously approved capital projects;
- Assess the town's financial capacity (available reserves, borrowing limits);
- Solicit, complete and evaluate project requests;
- List projects in order of priority;
- Develop a CIP financing plan and adopt a long-term capital improvement program.
- Monitor approved projects; update the capital improvement plan annually

(Source: Developing A Capital Improvements Program, prepared by the Municipal Data Management / Technical Assistance Bureau, Department of Revenue)

The capital improvement plan would dovetail with revenue/expenditure forecasts and serve as a basis for the formulation of budget guidelines each year. At the same time, the town would gain an accurate measure of its present financial condition, and meaningful insight into its immediate and long-range future.

### ***RECOMMENDATION 5: REVENUE / EXPENDITURE FORECASTS***

We recommend that the financial management team develop a five-year revenue/expenditure forecast, and review and update projections each year. Revenue and expenditure forecasting is an important task that works hand-in-hand with capital planning and debt management in developing a strong fiscal blueprint for the town. Long-range forecasting contributes in a significant way to the annual budget process by helping the town determine whether it should reduce, level fund or expand services. Responsibility for gathering necessary data from town departments and for making initial assumptions about future trends would fall to the financial management team. As noted earlier, the town might establish this responsibility in a by-law creating the financial management team. A draft or working spreadsheet should be initially developed by the town administrator. The steps in completing a long-range revenue/expenditure forecast are generally as follows:

- Identify and list all major revenue sources and expenditure accounts as line items
- Collect and enter three years of historical data on a grid for analysis
- Analyze year-to-year trends by line item focusing on annual dollar and percentage changes, and accounting for aberrations or dramatic fluctuations
- Analyze the historical relationship between line items or groups of line items, i.e., the ratio of local receipts to total revenue, school costs to total expenditures, etc.

- Analyze town services, contracts and programs with an eye toward whether cost increases or decreases are likely to occur
- Review the town's capital planning program
- Analyze the impact of outside forces: state-aid, economic trends, local growth and development, changes in laws, regulations or local policies
- Project revenue and expenditures based on a "maintenance budget" approach which projects level staffing and services
- Adjust projections for new, expanded or terminated programs, projects, services or contracts, and for overall historic trends
- Each year, incorporate new data for the year just completed, review subsequent year projections and expand projections by one year

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## GENERAL

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Other issues raised among town financial officers and staff involve declining volunteerism in government, record disposition and a process for staff evaluation. A perceived decline in the number of people who volunteer to participate in local government is real in Palmer, but not unique. In regard to records, many town offices are overloaded in hard copy. Basement storage space is at full capacity as well. At issue is what records must be kept, for how long and in what medium.

All town employees are members of one of four organized unions which, in turn, operate under separate collective bargaining agreements with the town. Full-time employees work a 6 ½-hour days and 32 ½-hour weeks. Benefits, in terms of vacation and personal time allowances, are described as "generous". It is our understanding that no provisions establishing a personnel evaluation process are part of the collective bargaining agreements. Although the town charter and job descriptions provided to us allude to supervisors, there is no language establishing a process for evaluating staff. The charter assigns the responsibility of developing job descriptions to the selectmen and provides for a personnel advisory committee. This body is intended to sit as a grievance committee and to issue advisory opinions on the merits of disputes between town employees and their supervisor. At present, the personnel advisory committee appears to have no members.

### ***RECOMMENDATION 1: ATTRACTING VOLUNTEERS TO TOWN GOVERNMENT***

We recommend the selectmen initiate a program to attract new participation in local government. In response to sagging volunteerism, the selectmen should advertise openings in the community newspaper over extended periods of time beyond the two weeks specified in the town charter. Committee openings or vacant positions should be posted at town hall as well as other locations where residents frequent. In addition, the town should actively recruit residents to apply. Despite busy schedules, people will often get involved when they learn a need exists and if they believe their input would be valued.

### ***RECOMMENDATION 2: RECORDS DISPOSITION***

We recommend the town explore the implementation of a records disposal program. The period for which public records must be retained by town offices is clearly stated in the records retention regulations and disposal schedules published by state supervisor of public records (SPR) under the Secretary of State. The SPR is also empowered to set standards for the media with which public records will be recorded. Consequently, communities are urged to consult with the SPR in the planning stages of an optical media storage system. The public records division of the Secretary of State's office can be reached at 617-727-2832 and the records management unit of the Massachusetts State Archives is at 617-727-2816. Record disposal

schedules for the accountant's, assessors', collector's and treasurer's office can be found on The Web at [www.magnet.state.ma.us/sec/arc/arcrmu](http://www.magnet.state.ma.us/sec/arc/arcrmu).

***RECOMMENDATION 3: ACCOUNTABILITY OF STAFF***

If not already done, we recommend the town appoint new members to the personnel advisory committee. We further recommend that the committee meet jointly with the selectmen to review and update, as needed, all job descriptions for town employees and to formulate a process for evaluating staff and for filing grievances. The clear identification of roles, the delineation of responsibilities, an evaluation process and a forum for grievances are all essential to create balanced work relationships. To achieve these goals, the joint committee will also find it necessary to examine individual staff duties in the context of the 32 ½ hour work week, overall salary schedules and the way increases are awarded. In the end, joint committee recommendations could represent fundamental changes to what supervisors and staff are use to. Substantive changes would have to be incorporated into collective bargaining negotiations with the various unions. However, through cooperation and communication, a fair system of performance and reward, and of accountability and recourse, can emerge.



**ADDENDA**

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James Pasquill, Chair, Finance Committee

Roger Brach, Treasurer/Collector

Carol Sugrue, Accountant

Jay Mastalerz, Chair, Board of Assessors

Lawrence Jasak, Board of Assessors

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**RECOMMENDATION 6: POSTING DEPARTMENTAL TURNOVERS**

We recommend the treasurer discontinue transferring details of departmental turnovers to the accountant. When town departments receive payment of fees or charges, the receipts must periodically be turned-over to the treasurer with a turnover sheet. As a routine matter, a copy of the turnover sheet must be forwarded to the accountant as well, while a third copy stays with the department. As a result, the accountant has the same information in the same detail as the treasurer and a separate record for reconciliation purposes. The treasurer's responsibility to post turnover receipts in the cash book only requires entry of the total turnover amount with a reference to its source (i.e., the department that prepared the turnover, the date of the turnover and/or the department's turnover sheet number).