

# TOWN OF PROVINCETOWN

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FINANCIAL MANAGEMENT REVIEW UPDATE

JUNE 2021



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

**DLS | Technical Assistance Bureau**

100 Cambridge Street, Boston, MA 02114

[www.mass.gov/dls](http://www.mass.gov/dls)

Jared Curtis, Project Manager

Zack Blake, Technical Assistance Bureau Chief



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

June 14, 2021

Select Board  
Town of Provincetown  
260 Commercial Street  
Provincetown, MA 02657

Dear Board Members,

I am pleased to present the enclosed Financial Management Review Update for the Town of Provincetown. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin  
Senior Deputy Commissioner



# TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>1</b>
<b>REVIEW OF PRIOR RECOMMENDATIONS .....</b>	<b>4</b>
<b>NEW RECOMMENDATIONS .....</b>	<b>18</b>
Reconfigure Treasurer and Collector Office .....	18
Establish Human Resources Department .....	18
Implement Munis Human Resources Information System.....	19
Reposition MIS Department .....	19
Build Financial Reserves.....	20
Strategize for Succession Planning .....	20
Create Procedures Manuals.....	21
Reduce Size of Board of Assessors.....	22



## INTRODUCTION

At the Select Board's request, the Division of Local Services Technical Assistance Bureau assessed the progress of Provincetown's implementation of recommendations contained in our 2008 Financial Management Review. As part of this update, we conducted interviews with the select board chair, town manager, assistant town manager, finance director, principal assessor, MIS director, treasurer, and collector. We also reviewed various documents, including the town charter and bylaws, financial policies, warrant articles, past audit reports and management letters, tax recapitulation sheets, balance sheets, and other financial records.

Over the last 15 months, the Town of Provincetown made several key proactive decisions to help it weather the ongoing financial challenges associated with the COVID-19 pandemic. Among others, these include:

- Prepared for unanticipated expenditures and loss of revenue by establishing an Emergency Response Stabilization Fund with FY2019 remaining free cash
- Reduced planned capital and operating expenditures in anticipation of FY2021 lost revenue to produce a balanced budget
- Avoided deficit spending by reacting to the state and local declarations of emergency with spending and hiring freezes
- Funded 89% of general governmental FY2020 capital needs without borrowing
- Significantly reduced tax title receivable balances due to consistent collection efforts

Beyond the town's response to COVID-19, and since our original financial management review back in FY2008, local officials also made significant strides to improve the town's overall financial stability.

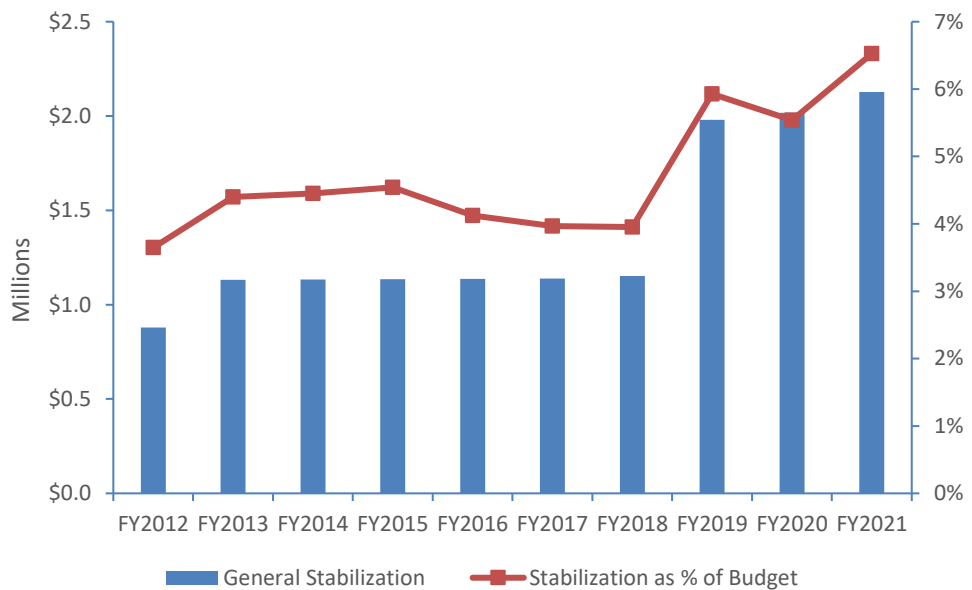
- The town formed a department of municipal finance
- Implemented a new chart of accounts and annually makes updates and enhancements
- Expanded the use of Munis modules to include payroll, cashbook, and billing
- Adopted financial policies to improve decision making
- Implemented OpenGov, a web-based system to develop the annual budget and offer transparency through data visualizations
- Continued the transition to OpenCape fiber optic connections
- Successfully transitioned the parking permit and ticketing process to the collector's office
- Hired a human resources manager to handle payroll and benefits

Over the last several years, Provincetown has also submitted its tax rate recapitulations and balance sheets to the Division of Local Services (DLS) timely. Department head meetings are held weekly and offer staff a chance to discuss internal happenings and get updates as to what is going on throughout

town. The town setup a consistent revenue stream for its capital stabilization fund by allocating 25% of its annual local option rooms tax. It is also awaiting legislative approval to institute a 0.5% real estate transfer fee to be split evenly among its Other Post Employment Benefits (OPEB) and affordable housing trusts.

Additionally, Provincetown focused on building general stabilization fund reserves, which is apparent when reviewing the balance over the past ten years. Since FY2012, the fund has grown from just under \$900K to more than \$2.1M, or 6.53% of the general fund budget, as of this year. The bar graph

to the right illustrates the towns emphasis on investing in its general stabilization fund. Provincetown's commitment to building general stabilization is a direct result of the select board's decision to increase the funds policy target from 5% to 10% of the current fiscal year's general operating budget.



Provincetown has made great strides in improving its overall financial management practices and fiscal health. Local officials have implemented or made progress on 27 of our 30 previous recommendations to date. In this report, we discuss these achievements, incorporate opportunities to enhance these recommendations, and provide eight additional best practice recommendations based on our current review. We would like to acknowledge the effort of the select board, finance committee, and town hall staff for implementing many of the prior recommendations and encourage officials to address those that remain outstanding.

Moving forward, Provincetown has several challenges that it must face. The community has significant capital planning decisions that need to be made regarding the development of a new police station and conducting a needs assessment for a fire station. The seasonality of Provincetown's economy, the limited stock of affordable housing for annual residents, and lack of seasonal workforce housing lend itself to additional challenges that the town must continue to address in order to meet the expanding popularity during the summer months. It will take a solid financial commitment and



collaboration among local officials, businesses, developers, and possibly other cape cod communities to provide solutions to one of Provincetown's primary goals and objectives.

Provincetown will benefit from the leadership of its new town manager where turnover has been an issue over the last five years. However, the town's remote location and salary structure often makes hiring new experienced employees across a wide range of roles difficult. Without proper procedure manuals in place, it slows the learning process and makes it challenging for new employees to get acclimated. Provincetown should consider restructuring its treasurer and collector office roles, human resource manager reporting requirements, and MIS department reporting to streamline the town's organizational structure.

Overall, Provincetown finds itself in good financial health despite the pandemic and is eager to capitalize on the loosening COVID-19 restrictions as the summer tourism season heats up.

## REVIEW OF PRIOR RECOMMENDATIONS

#	Recommendation	Status	Comments	Suggested Enhancements
1	Reconcile Cash and Receivables	Completed	<ul style="list-style-type: none"> <li>▪ Policy 6, treasury management, requires cash to be reconciled within 30 days of the close of the month between the treasurer and finance director.</li> <li>▪ Quarterly, the total cash reported by the treasurer will be fully and accurately reconciled to the total cash as reported on the general ledger.</li> <li>▪ Receivables are reconciled quarterly between the treasurer and finance director.</li> <li>▪ The treasurer reconciles receivables internally monthly.</li> </ul>	
3	Maintain an Up-to-Date General Ledger	Completed	<ul style="list-style-type: none"> <li>▪ Posts are made to the general ledger daily.</li> <li>▪ The assistant accountant completes the markup request and prepares the information for the finance director to check and then post to the general ledger.</li> </ul>	
4	Avoid Deficit Spending	Completed	<ul style="list-style-type: none"> <li>▪ The assistant accountant reviews town funds quarterly for deficits or the potential for a deficit and notifies the finance director of any concerns.</li> <li>▪ At the fiscal year mid-point, accounting discusses appropriation levels with department heads.</li> <li>▪ The budget is maintained using OpenGov, a cloud-based software for budgeting. The select board, finance committee, and department heads have real time access to budget to actual reports to maintain and review appropriations under their control.</li> <li>▪ Policy 3, budget and administration and financial reporting requires that all expenditure budgets be reviewed monthly by department heads.</li> <li>▪ Implemented spending and hiring freezes in FY2020 during the COVID-19 pandemic to avoid deficit spending.</li> <li>▪ Reduced CIP and operating expenditures in FY2021 due to the potential of lost revenue.</li> </ul>	<p>Setup a program to track special revenue fund grants</p> <ul style="list-style-type: none"> <li>▪ Each year Provincetown’s free cash is reduced by deficits in grant accounts that have not been received timely.</li> <li>▪ Implement a process to track and ensure grant applications are submitted timely and that department heads follow up on the disbursement of grant funds prior to the end of the fiscal year.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
6	Set Tax Rate Timelier	Completed	<ul style="list-style-type: none"> <li>▪ Only once in the past 10 years has Provincetown's tax rate been approved after December 31<sup>st</sup>.</li> <li>▪ Over the last four years, the tax rate recap has been approved after October 1<sup>st</sup> once.</li> <li>▪ Provincetown has an informal goal of getting the tax rate recap approved within the top 10 of the Commonwealth.</li> <li>▪ Town officials are not in favor of going to quarterly billing due to the number of second homes in Provincetown.</li> </ul>	<p>Strive to have tax rate recap approved by September 1st</p> <ul style="list-style-type: none"> <li>▪ To meet the town's informal goal of having its tax rate recap approved in the top 10 within the Commonwealth, Provincetown should submit no later than August 25th.</li> <li>▪ Actual tax bills should be mailed prior to September 30th to ensure proper cash flow.</li> <li>▪ We recommend that Provincetown develop a tax rate recap policy.</li> </ul>
7	Outline Town Manager Goals and Objectives	Completed	<ul style="list-style-type: none"> <li>▪ Chapter 4, Section 3 of the town charter outlines the powers and duties of the town manager.</li> <li>▪ Currently the town manager and select board secretary have performance reviews annually.</li> <li>▪ The new town manager began on April 5, 2021. To evaluate his performance, the select board established six month and one-year goals.</li> <li>▪ The select board chair meets with the town manager weekly to discuss his goals and objectives and ensures that he understands what he will be evaluated on.</li> </ul>	
8	Form Financial Management Team	Completed	<ul style="list-style-type: none"> <li>▪ Chapter 6, Section 1 of the town charter outlines the finance department.</li> <li>▪ The finance team operates under the Department of Municipal Finance (DMF).</li> <li>▪ DMF includes accounting, treasury, collecting, assessing, information systems, and transportation/parking.</li> </ul>	<p>Update town charter and institute team meetings</p> <ul style="list-style-type: none"> <li>▪ We recommend that Provincetown update Chapter 6, Section 1 of the town charter to include the transportation coordinator as part of the finance department.</li> <li>▪ Because of COVID-19, finance team meetings have ceased. We recommend that the finance director reinstitute financial team meetings bimonthly. Team meetings provide the opportunity to discuss the town's fiscal issues and review progress toward financial goals and objectives.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
9	Complete Revenue Projections	Completed	<ul style="list-style-type: none"> <li>▪ The finance director compiles a five-year financial forecast with the assistance of the town manager and assistant town manager.</li> <li>▪ The budget book begins with a summary of revenue estimates.</li> <li>▪ Revenue projections are determined by utilizing the three prior year's actual revenues and the current year budgeted amounts.</li> <li>▪ The finance director is consistently updating projections throughout the budget process.</li> <li>▪ Chapter 6, Section 3 of the town charter requires the development of a long-term financial plan including a forecast of all revenues and expenditures to be completed and submitted to the select board by October 1<sup>st</sup>.</li> </ul>	<p>Enhance the financial forecast</p> <ul style="list-style-type: none"> <li>▪ We recommend the town consolidate the financial forecast into a single excel workbook with various tabs that allow for projections to be easily modified based on changing circumstances. Consolidating the forecast will allow decision makers to see the bottom-line impacts that changes in projections of revenues and expenditures have.</li> <li>▪ A detailed forecast will allow for budget scenarios to be reviewed quickly and accurately, while providing valuable information to help drive the decision-making process. A well-developed forecast is even more important in times of economic uncertainty such as we are now experiencing.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
10	Adopt Policies to Build Reserves	Completed	<p>This is a two-part recommendation:</p> <ul style="list-style-type: none"> <li>Annually appropriate to stabilization: Completed. The select board adopted policy 7, cash reserves on June 27, 2011 and policy 20, general purpose stabilization fund, on February 26, 2018.</li> <li>ATM Article 8 was passed on May 1<sup>st</sup> and appropriated \$100,000 from free cash to the general stabilization fund.</li> <li>In the last four years, the stabilization fund balance has climbed from \$1.1M to over \$2.1M. The balance is approximately 6.5% of the general operating budget.</li> <li>Seeks ways to generate free cash: Completed. The select board adopted policy 7, cash reserves on June 27, 2011 and policy 21, free cash, on February 26, 2018.</li> <li>Appropriation turn backs and conservative local receipt estimates contribute to Provincetown's certified free cash.</li> <li>In April 2010, voters approved the creation of a special purpose capital improvements stabilization fund. They approved a home rule petition to allocate 25% of the local option room tax annually.</li> <li>The budget was approved at the May 1<sup>st</sup> annual town meeting with \$594,343 to fund the OPEB trust.</li> <li>Home rule petition currently pending at the state legislature to impose a 0.5% real estate transfer fee. Funds collected would be split between the OPEB trust and affordable housing trust funds.</li> </ul>	<p>Update the stabilization and free cash policies</p> <ul style="list-style-type: none"> <li>Policy 7 and policy 20 for the general stabilization fund need to be updated so that they are consistent with one another. For example, policy 7, section 6A states that the balance shall be equal to five percent of the general fund operating revenues and policy 20 states 10%.</li> <li>Currently the stabilization fund balance as a percent of the general operating budget (6.53%) is below the 10% policy minimum. We recommend Provincetown add a funding plan to the stabilization fund policy.</li> <li>We recommend that policy 21 be updated to discuss ways that Provincetown can build free cash. For example, the town will strive to make conservative budget estimates for local receipts, strive to turnback a portion of departmental appropriations and leave 10% of free cash unappropriated to carry forward to the next fiscal year.</li> <li>We recommend that policy 21, free cash, be amended to remove the allowable use of free cash to "reduce the future year tax levy". This is equivalent to using free cash to fund the operating budget. Furthermore, policy 7, section 6D and policy 21 need to be reviewed so that they are consistent when discussing free cash.</li> <li>We recommend that Provincetown update policy 7, section 6.b, the capital stabilization fund policy to include a minimum balance of three to five percent of the general operating budget.</li> <li>We recommend that the town develop an OPEB trust fund policy.</li> </ul>
13	Consider Adopting a Residential Exemption	Completed	<ul style="list-style-type: none"> <li>Provincetown adopted the residential exemption beginning in FY2016.</li> <li>In FY2018, Provincetown adopted a home rule petition allowing homeowners to receive a residential exemption if they enter an annual lease agreement with a year-round tenant. The goal of the exemption is to increase the housing stock for year-round residents.</li> </ul>	<p>Closely Monitor Residential Exemption Applications</p> <ul style="list-style-type: none"> <li>The principal assessor noticed an uptick in primary address changes in 2021 most likely due to the ability to telework.</li> <li>Fiscal year 2022 could see an increase in properties that qualify for a residential exemption.</li> <li>Continue to educate residents on the residential exemption in anticipation of additional applications.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
14	Adopt M.G.L c. 32B, § 18	Completed	<ul style="list-style-type: none"> <li>▪ M.G.L. c. 32B, § 18 was repealed in 2011 because of changes in federal Medicare regulations.</li> <li>▪ Provincetown adopted M.G.L c. 32B, § 20 (Other Post Employment Benefits Liability Trust, OPEB) on April 3, 2017.</li> </ul>	<p>Establish an OPEB policy and commit to funding OPEB annually</p> <ul style="list-style-type: none"> <li>▪ As of May 2021, the balance of the OPEB trust was approximately \$6,497,906.</li> <li>▪ Incorporate OPEB funding strategies into the policy for annual appropriations to continue to grow the fund.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
17	Build a Technology Plan	Completed	<p>This was a two-part recommendation:</p> <ul style="list-style-type: none"> <li>▪ Develop a formal technology plan: Completed. Provincetown’s MIS department recently created an extensive policy manual and a strategic plan with goals and objectives. It is currently in draft status waiting to be reviewed and finalized.</li> <li>▪ The town operates CASE asset management to track hardware and software for all computers.</li> <li>▪ Provincetown utilizes AirWatch systems to track mobile devices and tablets.</li> <li>▪ Consolidate all technology matters to MIS department: Partially Completed. Departments go through the MIS department for all hardware, software, and larger IT related purchases.</li> <li>▪ The town annually replaces 40 computers each spring in an effort to keep technology current.</li> </ul>	<p>Develop a financing plan and centralize IT purchasing</p> <ul style="list-style-type: none"> <li>▪ We recommend that Provincetown develop a long-term financing plan for the MIS department. This plan would detail a long-term hardware replacement and software upgrade schedule, with projected costs.</li> <li>▪ We recommend that all technology costs be consolidated under the MIS department. This will quicken the move to centralized IT purchases town wide.</li> <li>▪ Complete the expansion of Open Cape fiber optics town wide.</li> </ul> <p>Suggestions for draft MIS policies</p> <ul style="list-style-type: none"> <li>▪ The draft policies are comprehensive and well thought out. Employee comprehension is very important and based on the length and density of the manual, we recommend that the town supplement the document with live training and instruction or a quick summary of each policy.</li> <li>▪ Access Control Policy: <ul style="list-style-type: none"> <li>○ We suggest that the town review how third party business applications such as Munis and PK systems meet the town’s requirements for using two factor authentication, allowed failed login attempts, and password rules in order to meet the requirements of the policy.</li> <li>○ We suggest that Provincetown create a separate policy for password rules and remove it from the access control policy.</li> </ul> </li> <li>▪ Backup and Retention Policy: <ul style="list-style-type: none"> <li>○ We suggest that the town include information on who is responsible for backing up laptop hard drives and tablets.</li> <li>○ We suggest that the town include a paragraph informing employees that if they store data on a local (non-network) drive, they are responsible to create a backup of that information.</li> </ul> </li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
18	Improve Time Management	Completed	<ul style="list-style-type: none"> <li>▪ Recently the finance director was promoted to assistant town manager for finance.</li> <li>▪ The finance director oversees accounting, treasury, collections, assessing, MIS, and transportation/parking.</li> <li>▪ Updates are made to the chart of accounts annually, the general ledger is maintained daily, cash is reconciled monthly, and receivables are reconciled quarterly.</li> <li>▪ The finance director operates using proper time management skills to complete daily tasks.</li> </ul>	
20	Generate Monthly Project Expenditure Reports	Completed	<ul style="list-style-type: none"> <li>▪ Each project is given its own line number by department in Munis to efficiently track its appropriations.</li> <li>▪ The unique number allows department heads to easily track appropriations and monitor project budgets.</li> <li>▪ Invoices can be scanned into Munis and attached to the project.</li> </ul>	
22	Simplify Cash Book	Completed	<ul style="list-style-type: none"> <li>▪ Provincetown uses the Munis cash module to maintain the towns cash book.</li> <li>▪ Bank accounts are reconciled to Munis postings daily.</li> </ul>	
23	Complete Internal and External Reconciliations	Completed	<ul style="list-style-type: none"> <li>▪ Policy 6, treasury management outlines the cash/account reconciliation process.</li> <li>▪ The treasurer reconciles all Munis cash accounts within two weeks of month end to prepare for the monthly reconciliation to the general ledger.</li> <li>▪ The treasurer will reconcile the total ending cash balance of all accounts to the total ending balance of the finance director's general ledger.</li> <li>▪ The treasurer will document items that are carried at month end such as, deposits in transit, outstanding checks, and items cleared in the following month.</li> <li>▪ The detailed cash reconciliation document is signed by the treasurer and presented to the finance director for review and approval.</li> </ul>	



#	Recommendation	Status	Comments	Suggested Enhancements
24	Implement Cash Controls	Completed	<p>This is a three-part recommendation:</p> <ul style="list-style-type: none"> <li>▪ Create a standardized turnover sheet: Completed. Departments use a standardized excel workbook to complete turnovers. Each workbook is customized by department with a list of revenue types and account codes.</li> <li>▪ Use turnover sheets as source document for cash book: Completed. The collector and assistant treasurer/collector enter all turnovers into Munis. The treasurer uses the turnover sheets to review the Munis postings prior to approving and posting to the Munis cash book module.</li> <li>▪ Impose tighter controls on departmental turnovers: Partially Completed. Policy 6, treasury management lays out guidance for turnovers. It is the treasurer's informal policy that department heads cannot leave a turnover unattended in the treasurer or collector's office.</li> </ul>	<p>Update and enhance the turnover policy</p> <ul style="list-style-type: none"> <li>▪ We recommend that the following updates be made to the turnover policy: <ul style="list-style-type: none"> <li>○ The treasurer's office should establish procedures to safeguard the collection and remittance of receipts until turned over to the treasurer so that a standard practice exists among all departments.</li> <li>○ To provide a check and balance, M.G.L c. 41 § 54 requires departments to give the auditor a record of any turnover made to the treasury. We recommend that a signed copy of the turnover by an authorized treasurer or collector staff member be delivered by the departmental employee to the finance director.</li> <li>○ The turnover policy should explicitly state that no departmental staff member shall leave a turnover unattended in the treasurer or collector's office at any time.</li> </ul> </li> <li>▪ Implement the use of a check scanner.</li> <li>▪ We recommend that Provincetown rethink the turnover process by having department heads enter receipt information directly into Munis, then provide the turnover packet to treasury, and a signed copy to accounting. Treasury staff would review the receipt information in Munis prior to approval and posting.</li> </ul>
25	Consolidate Debt Schedule	Completed	<p>This is a two-part recommendation:</p> <ul style="list-style-type: none"> <li>▪ Create monthly debt service schedule: Completed. Each September the treasurer puts together the annual debt service obligation for the annual budget and financial forecast. Non-excluded debt is broken out monthly by fiscal year.</li> <li>▪ Develop a long-term debt service schedule: Completed. Provincetown developed a long-term debt schedule that consists of several excel workbooks.</li> </ul>	<p>Consolidate the Debt Schedule</p> <ul style="list-style-type: none"> <li>▪ We recommend that the comprehensive debt schedule be consolidated into a single excel workbook with separate tabs for each individual debt obligation.</li> <li>▪ From the consolidated debt service schedule, create summary tabs for: <ul style="list-style-type: none"> <li>○ List of all debt issued</li> <li>○ List of annual debt service (both principal and interest) for each year broken out by month due.</li> </ul> </li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
26	Research Returned and Unclaimed Checks	Completed	<ul style="list-style-type: none"> <li>▪ On February 26, 2018, the select board adopted policy 6, treasury management with a section on check tailings (uncashed checks).</li> <li>▪ During the monthly payroll and vendor reconciliation process the treasurer identifies all uncashed checks issued over 180 days. These checks are researched and then booked to the tailings account.</li> </ul>	<p>Update tailings policy</p> <ul style="list-style-type: none"> <li>▪ Under procedures, after number 1, insert “Notify the appropriate department when a vendor, employee, or other check is uncashed for more than 30 days.</li> <li>▪ Next, add “request that the department head contact the payee to determine why the check has not been cashed”.</li> <li>▪ Generate a monthly report of outstanding checks older than one year. Void each of these checks and notify the finance director. The town’s obligation remains, but any future reissuance will require a new invoice and warrant.</li> </ul>
28	Accept Town Collector Local Option Statute	Completed	<ul style="list-style-type: none"> <li>▪ In November 2008, town meeting adopted local option statute M.G.L c. 41, § 38A. This action was necessary to designate the tax collector as the town collector.</li> </ul>	
29	Emphasize Sales Inspections	Completed	<ul style="list-style-type: none"> <li>▪ The assessor uses sales inspections to help determine market trends and for valuing properties.</li> <li>▪ The assessor reviews the multiple listing service (MLS) database daily to stay informed on market sales.</li> <li>▪ Most arm’s length sales are viewed by conducting a drive by for further assessment.</li> <li>▪ The assessing department will research substantial differences in assessed value versus sale price of individual homes.</li> </ul>	
30	Reduce Returned Tax Bills	Completed	<ul style="list-style-type: none"> <li>▪ The assessing department reviews deed changes monthly and provides the collector with updates.</li> </ul>	

#	Recommendation	Status	Comments	Suggested Enhancements
2	Implement and Maintain the New Chart of Accounts	Completed	<p>This was a two-part recommendation:</p> <ul style="list-style-type: none"> <li>▪ Implement the chart of accounts: Completed. In addition to utilizing the chart of accounts, the finance director with the help of the treasurer completed a revenue refresh by department line item. The chart of accounts was further broken down by line item to provide greater account detail.</li> <li>▪ Implement Munis and chart of accounts in the school department: Completed. The school department is one of three departments that inputs payroll and accounts payable warrants directly into Munis.</li> </ul>	<p>Expand the use of Munis</p> <ul style="list-style-type: none"> <li>▪ Implement the Munis purchase order (PO) module. Using Munis' PO module would allow departments to make a requisition, gather all necessary approvals, and generate the PO electronically. Contracts and supporting documentation can be uploaded as attachments, making it easier for accounting and others to review the agreement.</li> <li>▪ Implement the betterment module in Munis that was procured.</li> <li>▪ Expand Munis payroll entry to department heads. To create efficiencies in the payroll process, department heads should be tasked with inputting payroll directly into Munis. This will allow the human resource manager to focus her attention on reviewing payroll.</li> <li>▪ Have department heads input accounts payable directly into Munis, saving the assistant town accountant from this timing consuming and inefficient process.</li> </ul>
5	Plan to Submit Balance Sheet and Schedule A Timely	Partially Completed	<ul style="list-style-type: none"> <li>▪ Submit the balance sheet timely: Completed. In the past 10 years, free cash has been submitted seven times prior to October 19th. Provincetown has made great progress closing the books and getting the balance sheet submitted for free cash certification.</li> <li>▪ Submit the schedule A timely: Partially Completed. In the past 10 years, the schedule A has been submitted only four times prior to its November 30<sup>th</sup> deadline. However, in the last four years, Provincetown has missed the deadline only once.</li> </ul>	<p>Submit the schedule A within two weeks of submitting the balance sheet.</p> <ul style="list-style-type: none"> <li>▪ We recommend that Provincetown submit the schedule A report within two weeks of completing the balance sheet.</li> <li>▪ Since the information is readily available from completing the balance sheet, the data will be in a format to flow into the schedule A.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
15	Modify Personnel Practices	Partially Completed	<p>This is a three-part recommendation:</p> <ul style="list-style-type: none"> <li>▪ Evaluate town personnel: Incomplete. Currently there is no process in place for evaluating town employees except for the town manager and select board secretary.</li> <li>▪ Consolidate personnel files: Complete. The human resource manager maintains all personnel files either in her office (current files) or historical files archived in locked cabinets.</li> <li>▪ Attend professional training and career development opportunities: Partially Complete. The personnel budget (health and benefits) includes an additional \$10,000 for employee training and professional development. At the May 1, 2021 annual town meeting, voters approved the budget.</li> <li>▪ The MIS departmental budget includes \$7,500 for ongoing professional development.</li> <li>▪ Town meeting passed article 5 on May 1<sup>st</sup> providing \$25,000 for a study of the town's union and non-union compensation plans.</li> </ul>	<p>Implement an employee review and performance evaluation process</p> <ul style="list-style-type: none"> <li>▪ It was brought to our attention that employees perform duties outside of their job descriptions.</li> <li>▪ We recommend that the human resource manager and finance director initiate a performance evaluation process.</li> <li>▪ Work with department heads to update employee job descriptions and establish performance goals.</li> <li>▪ The goals would be based on achieving departmental objectives which should allow the reviewer to assess each employee's efforts.</li> <li>▪ This process will help Provincetown reassess each position and strengthen the effectiveness of town departments.</li> <li>▪ It appears that employees are not aware of the opportunities for training and professional development. We recommend that Provincetown educate employees on how to tap into local resources to seek training and professional development opportunities to enhance their knowledge.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
19	Modify Payroll Procedures	Partially Completed	<p>This was a four-part recommendation:</p> <ul style="list-style-type: none"> <li>▪ In January 2019, Provincetown switched from Harper's to Munis payroll.</li> <li>▪ Develop an electronic timesheet: Partially Completed. Most employees use an electronic excel based workbook to track time and attendance. However, some individuals still manually write their time on a printed excel timesheet. The police and school departments enter their employees time directly into the Munis payroll software.</li> <li>▪ Develop a departmental cover page for timesheets: Completed. Department heads prepare and submit a payroll voucher to the human resource manager which is a summary of all departmental timesheets.</li> <li>▪ Utilize Munis to track accruals: Completed. Accruals are tracked using Munis Payroll and balances are listed on employee pay stubs. Time is entered into Munis on an acceptance basis. Munis has preprogramed time, so the human resource manager reviews and makes changes based on accruals used.</li> <li>▪ Payroll warrants include employee detail: Completed. The payroll warrant includes the employees name, gross pay, taxes and other deductibles, and net pay.</li> <li>▪ The town utilizes Munis self-serve so employees can review their pay stubs and accruals at their own convenience.</li> </ul>	<p><b>Streamline the payroll process</b></p> <ul style="list-style-type: none"> <li>▪ The human resource manager spends a great deal of time inputting and then reviewing employee time and attendance in Munis.</li> <li>▪ We recommend that Provincetown train department heads to maintain employee time and attendance in Munis. This would allow the human resource manager to focus on reviewing time and accruals prior to finalizing and posting payroll.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
21	Maintain Debt Schedule and Reconcile with Treasurer	Partially Completed	<ul style="list-style-type: none"> <li>▪ The treasurer maintains a comprehensive debt schedule compiled in multiple excel workbooks.</li> <li>▪ The treasurer provides debt information to the finance director in September for the annual budget and incorporation into the financial forecast.</li> <li>▪ The town has a comprehensive debt management policy.</li> </ul>	<p><b>Enhance comprehensive debt schedule and reconcile with the finance director.</b></p> <ul style="list-style-type: none"> <li>▪ DLS recommends that the Town revisit the current debt schedule format and group general fund, enterprise fund, and community preservation debt together.</li> <li>▪ Ideally, the debt schedule would have a separate tab for each individual debt obligation and a summary tab of all debt issued (excluded and non-excluded) so that the towns debt status is transparent and easily managed.</li> <li>▪ We recommend that the town enhance policy 9, debt management, and increase the cost threshold for borrowing from \$30,000 to \$100,000.</li> <li>▪ We recommend that the debt policy under “use of debt financing” be updated to include a bullet point that states all bond premiums acquired through the issuance of debt be applied to reduce the amount of the borrowing.</li> </ul>
27	Reconcile Receivable Control	Partially Completed	<ul style="list-style-type: none"> <li>▪ The treasurer reconciles receivables internally monthly.</li> <li>▪ The treasurer reconciles receivables to the general ledger quarterly.</li> </ul>	<p><b>Have the collector reconcile receivables with the finance director.</b></p> <ul style="list-style-type: none"> <li>▪ To ensure town assets are accounted for and balanced, the collector should maintain a control record for each receivable type and levy year and verify the detail balance agrees with the receivable control.</li> <li>▪ The receivable control is a record of original entry in which the collector reduces a commitment according to processed collections, abatements, and exemptions and increases it by issued refunds.</li> <li>▪ The collector should forward a copy of the internally reconciled accounts receivable balances to the finance director monthly.</li> <li>▪ We recommend that Provincetown expand policy 6, treasury management, to include a receivable reconciliation policy.</li> </ul>

#	Recommendation	Status	Comments	Suggested Enhancements
11	Assess the Impact of School Regionalization	Incomplete	<ul style="list-style-type: none"> <li>▪ Per local officials, no recent studies have been completed to assess school regionalization.</li> <li>▪ Currently Provincetown is not part of the Nauset regional school district. In FY2020 they sent 11 students to Cape Cod Tech and in FY2021 they sent 14 students.</li> <li>▪ In FY2021, Provincetown's total school enrollment for all districts is 111.</li> </ul>	<p><b>Explore Regionalization.</b></p> <ul style="list-style-type: none"> <li>▪ We recommend that Provincetown revisit recommendation number 11 from the prior financial management review.</li> <li>▪ We suggest that the town continue to explore various regionalization opportunities with Truro and Wellfleet despite passed failed attempts at a regional dispatch and shared housing.</li> </ul>
12	Consider Residential to CIP Tax Shift	Incomplete	<ul style="list-style-type: none"> <li>▪ Annually, Provincetown's select board votes a residential factor of 1.00, which translates to a single tax rate across all property classes.</li> <li>▪ In the last five years the number of commercial properties has grown by five, and the number of personal property accounts has grown by 364. The consistent increase in personal property accounts supports the notion that the towns housing stock is occupied as second homes.</li> </ul>	<p><b>Consider Residential to CIP tax shift.</b></p> <ul style="list-style-type: none"> <li>▪ We recommend that Provincetown revisit recommendation number 12 from the prior financial management review.</li> <li>▪ Based on the impact of the COVID-19 pandemic on commercial businesses, now may not be the proper time to adopt a split tax rate.</li> <li>▪ In the future, we encourage the town to assess the impact of a split tax rate on the residential and commercial property average tax bills.</li> </ul>
16	Establish an Audit Committee	Incomplete	<ul style="list-style-type: none"> <li>▪ Provincetown does not have an audit committee.</li> <li>▪ Chapter 6, Section 10 of the town charter requires the select board to annually conduct a joint meeting with the finance committee to review the findings and recommendations within the audit report.</li> </ul>	<p><b>Audit and Management Letter Corrective Action Plan.</b></p> <ul style="list-style-type: none"> <li>▪ We recommend that the town manager formulate a corrective action plan to address the findings and recommendations identified within the independent auditor's management letter.</li> <li>▪ A plan would indicate the steps to take, who will be responsible, and when the action will be completed.</li> <li>▪ DLS recommends that Provincetown modify chapter 6, section 10 of the town's charter or establish an audit and management letter corrective action plan bylaw.</li> </ul>

## **New Recommendations**

### **Reconfigure Treasurer and Collector Office**

With the recent resignation of the treasurer in Provincetown, this provides an opportunity to review the current roles and responsibilities of staff with an eye toward establishing a treasurer/collector position. Communities across the Commonwealth are combining these functions to improve efficiencies and cash management accountability. A survey of the 15 communities across Cape Cod, for example, found that 87% have a combined treasurer/collector position—11 have a treasurer/collector, two have a finance director/treasurer/collector, and two have a separate treasurer and collector.

From our view, a move to restructure the office would have minimal disruption and little impact on the current duties of employees in the office. The treasurer serves as the department head now by overseeing the collector who in turn supervises the assistant treasurer/collector. Our vision simply reflects a title change for a role that currently exists. Under our proposed structure, the office would be led by a newly titled treasurer/collector position, along with a full-time assistant collector and assistant treasurer.

In adopting this change, new job descriptions should be created for each position with specialized task assignments, and the department should actively deliver on-the-job cross-training to minimize office disruption and ensure good functional coverage. Our recommendation maintains the current number of staff, allows for strong segregation of duties, provides adequate back-ups, and potentially offers an opportunity to groom a successor department head for the future.

### **Establish Human Resources Department**

We recommend creating a human resources department staffed by the current full-time manager and a new part-time assistant manager. Provincetown realized the growing intricacies of the human resource functions and hired their first human resources manager in August 2019. Prior to creating this position, the payroll and benefits coordinator, town manager, treasurer, finance director, and assistant accountant devoted time to administering and addressing human resource related issues.

As workplace requirements, collective bargaining agreements, and benefit programs grow in complexity, the town bears an increasing responsibility to provide proper working conditions, consistent policies, procedures, and meet minimum compliance standards. To this end, Provincetown should elevate the human resource manager to an upper-level position reporting to the town manager. A direct report can eliminate sensitive personnel issues from having to go through a chain of command, avoiding any potential conflicts of interest.



We also recommend the addition of a part-time assistant human resource manager (15-20 hours/week) to help support the department. The individual would focus on managing payroll, onboarding and offboarding employees, assisting with open enrollment and benefit changes, tracking applications, and filing sensitive information. This additional support frees up valuable time of the treasurer as the current backup to payroll and the human resource manager to focus her attention on collective bargaining and other higher-level functions.

### **Implement Munis Human Resources Information System**

As part of the reorganization of human resources, we recommend the town implement the Munis human resources information system (HRIS). A comprehensive system will help manage and report the complex data required by federal, state, and local agencies and lessen the risks presented by incomplete recordkeeping. To further reduce risks and avoid penalties, personnel management not only requires highly trained staff but an adequate employee tracking system to maintain complete and accurate personnel records, develop and implement consistent employee policies, and report required data to regulatory agencies.

Provincetown should seek additional training for the human resource manager on fully utilizing the human resource capabilities in Munis. Direct input by employees for time and attendance tracking should be a minimum requirement. Payroll processing becomes much more efficient, and employees have access to accumulated leave balances, benefit information, and other personnel data.

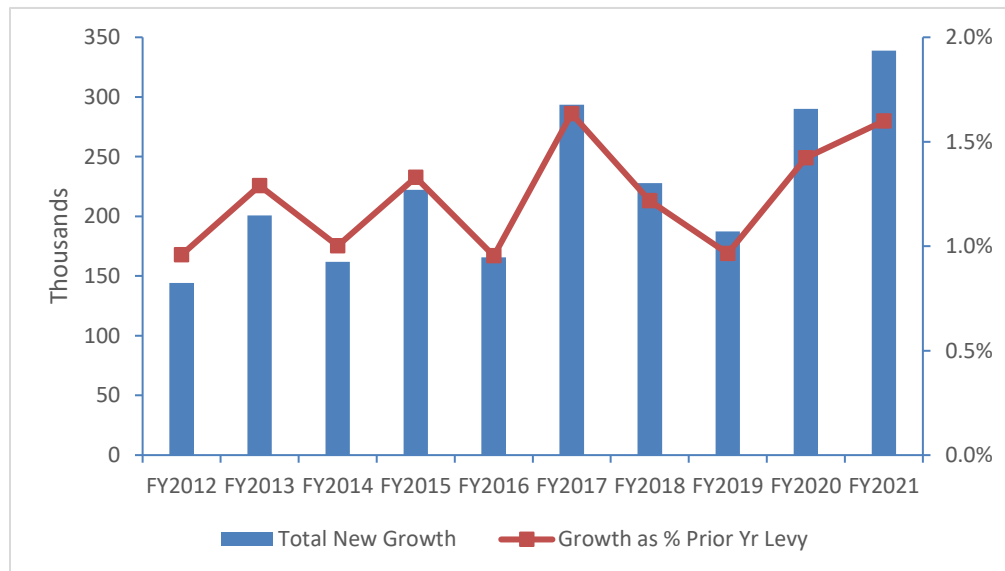
### **Reposition MIS Department**

We recommend moving the MIS department because its placement within the finance department weakens town-wide IT coordination and internal controls. The unit can most effectively serve the IT needs of all town departments when the director holds a senior-level position reporting to the town manager, which provides a wider management perspective. Additionally, the best control environment necessitates positioning the MIS director apart from those responsible for daily financial transactions. The director should be the person in town with administrator rights for all systems, including being the gatekeeper for all user profiles with edit or read-only permissions. Segregating this oversight from department managers is an effective means to deter fraud, safeguard data integrity, and ensure employee accountability.

## Build Financial Reserves

To help fortify reserves, the town should consider tapping into its increasing levy growth. Provincetown saw a substantial spike in tax levy growth over the past two years. From FY2012 to FY2019 tax levy growth averaged \$200,394. Between FY2020 and FY2021 levy growth averaged \$314,460, due to the boom in condo conversions and home improvements. Instead of allowing this increase in one-time revenues to be absorbed by the general operating budget, Provincetown should annually appropriate funds to their reserves above the \$200,000 average levy growth. One-time revenue growth is

limited, so when the opportunity presents itself, the town must focus on using the revenue for capital expenditures or building reserves. The graph above depicts the rise in tax levy growth.



## Strategize for Succession Planning

Despite the positive strides Provincetown has made in putting together a competent and devoted financial team, the town currently finds itself struggling to attract new hires. Consistent leadership and stability at the top has been difficult to solidify, but with the new town manager starting this past April, there is a lot of optimism throughout town hall. Unfortunately, the highly respected treasurer, who was an integral part of the success of the finance team, recently resigned to become the treasurer/collector of Georgetown. Additionally, the town must anticipate a replacement plan for the principal assessor and assistant assessor who are both approaching retirement age.

Provincetown faces difficulties in hiring experienced professionals because of its isolated location, high housing costs, salaries, and other factors. This takes valuable time away from accomplishing other necessary duties and creates a strain on department heads who must train and develop new individuals. By approving article five at the annual town meeting and appropriating \$25,000 for a compensation plan study, the town is taking a constructive step to addressing one important factor in ensuring that it can be a relatively attractive employer.

The town has benefitted greatly from the commitment of current financial staff members fulfilling their responsibilities despite the relatively thin support staff. While the institutional knowledge of veteran employees is always an asset, it is in danger of being lost if there is no plan for succession when employees inevitably move on or retire. Without constructive planning, the town faces real risks of service disruptions, wasting resources on stopgap measures, and damaging its potential for bringing on the best available replacement personnel.

We recommend the town manager meet with department heads to develop succession strategies on how to fill future vacancies due to turnover and retirements. Together, they should discuss and gather information about each role's core functions and legal responsibilities. This would include the position's job description, classification and grade, hours assigned, and any documented procedures.

We further suggest that the town take the following steps to strengthen the succession planning process:

- Identify employees with the skills, aptitudes, and interest in being promoted, including those who might currently work in other departments.
- Systematically develop the person's knowledge and competencies through mentoring, professional development, job shadowing, and delegating additional responsibilities within their departments.
- When aware of an impending departure, try to ensure time overlap so that the departing employee can help orient and train the replacement.

### **Create Procedures Manuals**

As time allows, we recommend that the finance director, assessor, treasurer, and collector work with their staffs to create procedure manuals. The purpose of a written policy is to contextualize work activities within departmental goals, responsibilities, and legal requirements. A procedures manual outlines the specific steps required to accomplish the objectives spelled out in the policies, emphasizing the internal controls designed to ensure intended outcomes. Examples include the handling and turnover of cash receipts, reconciliations, purchase orders, payroll, and vendor disbursements, as well as the administration of grants and month- and year-end closing procedures.

Without these documents, employees are often limited to on-the-job training examples without proper context. A lack of emphasis on the rationale for controls can encourage circumvention. Conversely, the process of creating manuals can help managers to discover redundant controls and to make risk assessment decisions on the cost of sustaining controls or adding new ones. Manuals also help to maintain services when there are unexpected employee absences, and they support the training of new hires.

The manuals could contain a combination of the pertinent policies, statements of objectives, step-by-step instructions, and related software application screenshots. Once developed, these manuals

should be stored electronically on shared drives for easy access. Staff could also save certain manuals as desktop shortcuts to serve as cheat-sheets for daily tasks. While some policies have applicability within a department only, others, like turnovers or purchasing, apply universally and should be distributed accordingly. Since many of these tasks are processed through Munis, staff should review and revise the manuals with each Munis update.

### **Reduce Size of Board of Assessors**

Provincetown should consider permanently reducing the number of members on its board of assessors from five to three. Through our interviews, we were informed that the town has difficulty finding volunteers willing to serve on the various boards and committees. For the past eight months, the board of assessors has had one inactive member that has not fulfilled their DOR's assessor training course 101 requirement and is ineligible to vote. The lack of long-term consistency in active membership creates challenges for knowledge transfer due to the learning curve involved. Any change to the number of members to the board of assessors would require amending Provincetown's Charter, Chapter 5, Section 4, which states "unless otherwise specified in the general laws or this charter, each town board shall consist of 5 regular members and two alternate members."