



Town of Provincetown

Financial Management Review

Division of Local Services / Technical Assistance Section

April 2008

Introduction

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review for the Town of Provincetown.

We based our findings and recommendations on site visits by a technical assistance team consisting of staff from the DLS Municipal Data Management & Technical Assistance Bureau (MDM/TAB), Bureau of Local Assessment (BLA), and Bureau of Accounts (BOA). During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, finance committee, town manager, finance director/town accountant, treasurer, tax collector, and principal assessor as well as other local officials and department staff members.

DLS staff examined such documents as the Tax Recapitulation Sheet, Schedule A, town meeting warrants, annual municipal budgets, statements of indebtedness, vendor and payroll warrants, trial balance reports, and sample department turnover reports. Other documents reviewed included the town charter, general bylaws, and the outside audit report and management letter for FY2005 and FY2006 completed by Thomas J. Scanlon, CPA & Associates.

In reviewing the town's financial management practices, we focused on:

1. Town government structure in the context of the duties and responsibilities of financial officers;
2. The degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function;
3. The town's budget, warrant and capital planning processes; and,
4. The general efficiency of financial operations as measured by the town's success in maximizing resources and minimizing costs.

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

Overview

Since FY2002, the Town of Provincetown has been one of only a handful of Massachusetts cities and towns that must submit an independent audit of its year-end financial statements to the Department of Revenue for review before its annual tax rate will be certified.

Provincetown was placed under close DOR scrutiny because, in the years leading up to 2002, the town continued to submit unreliable financial information to DOR and because its poor financial records lead to audits being late. Year after year, once the audit was complete, the deficiencies cited in the auditor's management letter went unaddressed. Because the town failed to submit a balance sheet for FY2000, free cash was not certified. Year-end deficits in town accounts were occurring and not raised in the subsequent year's tax rate, as required, or amounts raised differed from documented deficit amounts. Reconciliations of cash and receivables with the general ledger were ignored. Finally, because of late submissions of its Schedule A, quarterly state aid distributions were withheld in FY2002, FY2003 and twice in FY2006.

By June 2006, circumstances had not improved. At that time, the DOR deputy commissioner reiterated department concerns about delays in submitting the Schedule A, delays in setting the tax rate, and delays in submitting the town's balance sheet. It was in that email correspondence where he also suggested that the town request this financial management review.

Based on recent history, there appears to have been little management interest, or broader political will, to make the internal changes necessary to emerge from the shadow of DOR oversight. Instead, the town's former manager allowed lax financial practices to continue while, as reported to us, he acted on issues with increasing independence and in isolation from the board of selectmen, finance committee and most department managers.

Today, whether attributable to concerns over every day financial management practices in town hall or to the impact of budget decisions on resident tax bills, local officials realize that public confidence in municipal government has eroded. However, by requesting this financial management review, the selectmen have, to their credit, taken a step toward improving financial operations and regaining public trust.

A further encouraging development is the presence, after 17 years, of a new town manager. Already, through an open door policy and a reliance on direct communication, she has altered, in a positive way, the town hall work environment. We were also impressed that she, and the selectmen with whom we spoke, professed a determination to see the town removed from strict DOR oversight. To reach that point now requires a clear understanding of the deficiencies that exist and a commitment to take corrective action.

New finance-related managers and staff should help advance these goals. The town has a new assistant town manager, a relatively new finance director/accountant, a new assistant accountant and treasurer. They are, by our measure, complemented by a well-established collector and principal assessor, and by knowledgeable, competent staff.

For our part, we have set out in this financial management review primary recommendations that warrant immediate attention and directly address issues of concern to DOR.

They underscore the need to maintain accurate, up-to-date financial records, to monitor spending and to file required reports correctly and in a timely manner. Other recommendations focus on the working relationships between and among policy makers, managers and staff, on the budget process and potential cost saving measures. Finally, we offer suggestions in the various finance offices, including technology, which are intended to help to further improve operations.

With accurate and reliable financial information in-hand, and with clarity as to responsibilities and expectations among managers and staff, town leaders will be better positioned to make future budgetary decisions with confidence and credibility. Still, revenue constraints will remain and will not be easily overcome while the perception persists among residential property owners that spending is excessive and that their tax burden is inordinately high. Whether the town's \$24 million budget for FY2008 justifies that opinion is not easily analyzed when the town's year-round population is purportedly under 3,000, and declining, and its summer population exceeds 25,000.

Investigating these concerns produced seemingly contradictory observations. As an example, according to community-provided data maintained by the DOR Municipal Data Bank, total town expenditures increased 45.1 percent between 2000 and 2007. This is only slightly higher than the average budget increase of 42.7 percent among all Massachusetts towns. In contrast, the average single family tax bill, at \$4,254, increased 70.8 percent over the same period in Provincetown, compared to only 49.1 percent among all towns. Even with a dramatic increase, Provincetown average tax bill essentially caught-up with the average bill of \$4,243 for all Massachusetts towns in FY2007.

As is the case throughout Massachusetts, over time, a greater portion of the Provincetown tax burden has gradually fallen to the residential class of property owners. Up until recently, this was because the value of residential properties was escalating each year far more dramatically than commercial, industrial and personal property (CIP) values. The total assessed value of all CIP increased 61.9 percent between FY2000 and FY2007, even with the loss of 50 commercial accounts, but still did not keep pace with the 175.2 percent increase in total assessed value of all residential property classes. Where CIP accounted for 27.8 percent of the town's property value and tax revenue in FY2000, it is now 18.7 percent, which still exceeds the state-wide average of 16.3 percent. See Appendix A for historical data.

In Provincetown, enormous condominium development has also had an impact within the residential class. There are 581 more condominium units today, and 1,939 units in total, compared to seven years ago, and only 40 more single family homes, which currently total 814. The total value of condominiums has overtaken the total assessed value of single family residences. However, over seven years, the 119.7 percent increase in the *average* value of a condominium unit fails to match the 194.5 percent increase in *average* assessed value of a single family residence.

Personal income is also of interest, and although information is somewhat dated, the trend is clear. According to the U. S. Census, per capita income among Provincetown residents rose 74.6 percent between 1989 and 1999 and at \$26,109 was slightly above the state-wide average of \$25,952, which had increased 52.9 percent over the same period.

This snapshot of data confirms what is generally acknowledged locally. Residential property values in Provincetown have increased faster than off-Cape Massachusetts towns and there is a pronounced shift in the tax burden onto owners of single family residences, which have become highly desirable and highly valued. Personal income is higher, but the town is not spending excessively in comparison with other towns.

Not surprisingly, the Provincetown experience is fairly consistent with that of its closest neighbors - Truro, Wellfleet, Eastham and Orleans - and, looking ahead, each will face the same fiscal struggles. Where the towns differ, however, is in a willingness among residents to use Proposition 2½ to help generate additional revenues, which are needed to keep pace with persistent cost inflation and to better manage debt.

Over the 27 years since Proposition 2½ was passed, Provincetown has only approved one override to provide additional funding for operations. The town has never approved a debt exclusion, which would raise additional tax revenue to pay the debt service on a loan to fund a major project. Like a mortgage, this tax ends when the loan is fully paid. The town has never considered a capital expenditure exclusion, which is a one-year tax increase. It is designed to raise, all at once, the total amount necessary to purchase, for instance, a fire engine.

As illustrated in the chart below, those towns closest to Provincetown have permanently added millions of dollars to their tax levy through overrides (plus annual 2½ percent increases) to maintain services. These towns have used debt exclusions and, though less frequently, have taken advantage of the capital exclusion option.

	<u>Overrides</u>	<u>Debt Exclusions*</u>	<u>Capital Exclusions</u>
Eastham	\$2,587,398 (37)	\$20,830,622 (19)	\$21,000 (1)
Orleans	2,760,769 (14)	27,567,973 (37)	0
Provincetown	350,000 (1)	0	0
Truro	3,010,383 (36)	8,987,837 (17)	835,237 (23)
Wellfleet	2,975,004 (44)	14,222,433 (30)	138,000 (2)

*Debt Exclusions are in cumulative amounts excluded. Number of votes approved are in parenthesis.

Conclusion - Provincetown's fiscal circumstances are not unique. As in many Massachusetts communities, the town's ability to address needs and provide a consistent level of services depends primarily on revenue enhancements that meet recurring cost escalations, operating efficiently and by containing costs where possible. In the past, the town has resisted supplementing budget revenue through Proposition 2½ overrides, debt exclusions or capital exclusions. Looking ahead, when services are inevitably reduced to critical levels and when needed capital investment can be delayed not longer, townspeople will have no choice but to confront the question of whether to increase tax revenue. That discussion can be more meaningful if residents have confidence in government.

Accordingly, re-establishing public trust should be a priority and can be reached through a reversal of past practices. Our recommendations are, in large part, aimed toward this goal, and we believe that the current collection of town leaders, the town manager, department heads and staff are sufficiently knowledgeable, capable and committed to achieving it.

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Primary Recommendations

These primary recommendations address long-standing financial management issues in Provincetown. For the most part, they date back at least to FY2000 when DOR was forced to conclude that the town's financial records were unreliable. Closer DOR scrutiny and more stringent rules for tax rate approval were imposed as a result, and will remain in place until the town has proven its ability to maintain and report accurate, up-to-date financial information.

With respect to Provincetown's submission of periodic reports to DLS, the town has been historically late. The annual Schedule A, a year-end statement of revenues, expenditures and certain fund balances has averaged six months late over the previous five years. The Tax Recapitulation Sheet, which is used by DOR to set the property tax rate, has been late over each of the previous five years. Lastly, the year-end balance sheet, a statement that discloses the town assets, liabilities and fund balances is habitually late, which delays completion of the town's independent audit.

In no small way, these problems are related to a deficient chart of accounts, which did not establish proper account relationships, and to poor practices that predate the current accountant. However, despite more recent opportunities to address these issues, for whatever reason, little progress can be cited. Among immediate concerns is an on-going inability to record town financial activity as it occurs in the financial software, even if it is deficient, in order to maintain an up-to-date system; and delays in setting-up the new chart of accounts in the financial software which will reverse flaws in the current system.

With renewed determination on the part of town leaders, the town manager and staff, the prospects for improvement appear better than in the past. Achieving the desired results, however, requires not only an understanding of the problems and the solutions, but an every day commitment by staff to execute procedural changes. Whether or not that occurs depends in large measure on priorities set by the town manager for finance department managers. Instrumental, as well, is a time management plan that allocates responsibilities among existing and new staff, and provides a schedule of when essential tasks will be completed.

The recommendations that follow identify important starting points.

Recommendation 1: Reconcile Cash and Receivables

We recommend that the finance officers make the reconciliation of cash and receivables a priority. It is our understanding that neither the treasurer's cash book nor the collector's receivable control have ever been reconciled to the accountant's general ledger, except at year-end with the assistance of the outside auditor.

The reconciliation of cash and receivables is an essential financial control, which provides certainty that information is processed properly and that financial records are accurate. The finance director, as the town accountant, is chiefly responsible for coordinating regular monthly reconciliations between herself and the treasurer and the collector. In preparation, they have the responsibility to complete internal reconciliations. Therefore, we recommend that the finance

director arrange a time to meet separately with the collector and the treasurer at the end each month to complete reconciliations. To be successful, all respective records need to be up-to-date.

Recommendation 2: Implement and Maintain the New Chart of Accounts

We recommend that the finance director implement the new chart of accounts. Use of the new chart of accounts, which was complete and ready last summer, is now delayed until this spring. From our perspective, the town has waited far too long to put the new system in place, and until it does, financial recordkeeping will continue to suffer. Therefore, we recommend that the town manager meet with the finance director to establish an immediate schedule for implementation of the new chart of accounts. This task has been set aside reportedly because of other workload demands. If this is the case, the town manager should make it her expectation that updating the chart of accounts is a top priority.

We recommend that the MUNIS system and the new chart of accounts be implemented in the school department. At the very least, if the school business office had access to and utilized MUNIS, school vendor invoices as well as routine employee timesheet information could be entered into the system one time. Currently, every week this information is entered into the school department financial software and then again into the town's MUNIS system at the accountant's office in order to be placed on warrants. Instead, if the entries into MUNIS are made once at the school department, they would be immediately accessible to the town accountant. MUNIS is fully capable of accommodating longer school department account codes and, in Provincetown, the new chart of accounts may already be set up and ready for use by the school business office.

Recommendation 3: Maintain an Up-to-Date General Ledger

We recommend that the finance director outline a plan to bring the general ledger up-to-date. Equally important, the town manager should understand how the finance director intends to manage her time and responsibilities so that general ledger entries will be up-to-date. As financial activity is reported to the accountant in the form of a report of treasurer's receipts, payroll and vendor warrants, etc., the information must be immediately data entered into the MUNIS software system. Furthermore, as an important companion task, the finance director should run monthly trial balances to identify and address deficits, and to review entries to verify that they are correctly posted. Until this happens on a regular basis, financial controls will be weak and the town will not have an accurate record of its financial condition. Instrumental to this planning process will be the assigned duties of the new deputy accountant, who will begin later this year, and the current assistant accountant for payroll.

Recommendation 4: Avoid Deficit Spending

We recommend that the finance director monitor spending to prevent departments from incurring end-of-year deficits. Unless for snow and ice, overlay or a court judgment, a municipal department cannot incur a liability in excess of appropriation. However, deficits have been a recurring problem for the town at least since FY2000, when they contributed to reasons for increased DOR scrutiny of town finances. In FY2007, the town was forced to raise \$117,221 in illegal deficits.

Failure to manage this problem reflects lax practices and undermines the budget process. Therefore, we recommend a notice from the selectmen, town manager and/or finance director be sent to all department managers stating that deficit spending will not be permitted.

If a proposed departmental expenditure will result in an illegal deficit, it should not be approved for payment when it is submitted to the accountant. In this instance, the finance director should contact the department manager who submitted the invoice to discuss the issue. If it remains unresolved, the finance director should file a written statement of reasons for her refusal to pay the charge with the treasurer in accordance with M.G.L. c. 41, §52. Otherwise, she should routinely monitor monthly expenditure reports and inform the town manager whenever an account balance appears unusually low. Department managers should be directed also to maintain an independent log of expenditures which they would reconcile with entries on expenditure reports they receive from the accountant each month.

Recommendation 5: Plan to Submit Balance Sheet and Schedule A Timely

We recommend that the finance director/accountant plan now to prepare closing the town's books. Closing the town's books and producing a balance sheet at fiscal year-end is a fundamental responsibility of the town accountant. At the very least, this task requires that reconciliations of cash and receivables be complete and variances accounted for, that debt is reconciled, and that final adjustments are made for accruals, etc.. The finance director should consult the UMAS Manual for guidance. Once the books are closed, financial statements for review by the independent auditor can be prepared and records will be in condition to flow into a Schedule A format. However, creating and maintaining up-to-date financial records is essential and how that occurs needs to be addressed immediately. Throughout the year, and particularly as the end of the fiscal year approaches, we recommend that the town manager meet on a regular schedule with the finance director to review documents that show progress.

Recommendation 6: Set Tax Rate More Timely

We recommend that the finance officers function as if the town were on a quarterly billing cycle. Because the town is required to submit an independent audit to DOR before receiving approval of its annual tax rate, it has contributed to the delayed submission of the town's Tax Recap Sheet to DOR until May or later. The budget is approved by town meeting almost a year earlier and town government operates for three-quarters of the fiscal year without DOR review of

its revenue estimates. For virtually all other Massachusetts cities and towns, this confirmation of local decision-making takes place prior to October 1 (for those that bill semi-annually) or prior to January 1 (for those that bill quarterly). Although the practice in Provincetown is permitted under M.G.L. c. 57, sec. 59A, it is not recommended by DOR, reflects bad policy and a poor practice for a community that seeks to build credibility in the way it manages municipal finances.

When Provincetown is no longer under close DOR scrutiny and must no longer submit an audit as a prerequisite to tax rate approval, we recommend approval by town meeting of quarterly tax billing. In the meantime, we recommend that the town complete its Tax Recap Sheet sooner in the fiscal year. The process, including all required approvals and completion of all forms, that now takes place in May, should be scheduled for completion by December 15. Final approval of the tax rate will then occur as soon as an independent audit is received by DOR, which should be sooner rather than later if other recommendations in this report are implemented.

Overall Financial Management

A review of Provincetown's overall financial management practices centers on the fiscal policies and procedures in place that typically involve finance related departments, but impact town government as a whole. Accordingly, we examined the budget process, financial forecasting, capital planning, and the payroll and vendor warrant process. We looked at financial monitoring, as well as the town's organizational structure and its impact on the operation of government. We reviewed local compliance with state laws and regulations relating to finance issues. Lastly, we considered the nature of working relationships and the allocation of responsibilities among decision-makers, managers and staff.

A five-member board of selectmen is primarily responsible for setting policies and goals for the town. They meet on a weekly basis and individual members are in town hall somewhat frequently pursuing issues or seeking information. A clerk works directly for the selectmen.

The town manager is responsible for day-to-day operations, and directs an assistant town manager and a clerk. Appointed in April 2007, the current town manager has wide-ranging authority as defined in the Provincetown Town Charter. She coordinates the activities of the board of selectmen, manages the municipal budget and five-year capital planning processes, serves as personnel manager, and provides overall supervision related to town finances. She has authority to appoint the assistant town manager, town accountant, tax collector, treasurer, assessor, town clerk, police chief, among others, all of whom are part of regular town-wide department head meetings. The town manager is further empowered to "establish, reorganize, consolidate, or abolish any department or offices under (her) discretion and supervision."

The budget process in Provincetown is outlined within town charter and, under the new town manager, is reported to be a more open and inclusive process than in the immediate past. It is initiated with the distribution of written appropriation requests from department heads. Meetings follow, then the town manager's budget recommendation moves on to the selectmen and finance committee. Revenue projections for the budget are completed after the process has begun, otherwise, no long-term financial forecasting is completed. The finance committee further evaluates the budget before joint public hearings are held between the board of selectmen and finance committee to reconcile budget proposals prior to town meeting. The budget is presented at town meeting by the board of selectmen.

In addition, procedures to produce weekly vendor and payroll warrants are in place and work smoothly. A capital plan is developed by the town manager but, as in most communities, funding sources are few. The town has also historically had trouble in generating free cash and building a stabilization reserve.

To her credit, the town manager has begun to explore how to better organize departments and utilize staff. The assistant town manager, in particular, is focused on the inspectional services departments. To address severely deficient space issues, the selectmen commissioned and have received a report on the renovation and reconfiguration of town hall offices. Due, in

part, to strained budgets, the building has been allowed to deteriorate and is now in critical need of repair.

Conclusion - More detailed observations are included in the sections of this report that follow, but overall, town employees in the finance related offices are engaged, diligent and sincere in their efforts to do a good job. Between and among departments, communication and cooperation exists. Virtually all staff were receptive to ideas that might lead to improved procedures and more efficient operations. Still, the more involved, hands-on management style of the current town manager is needed to provide direction and establish expectations for staff. Equally important, the town manager and board of selectmen should consider their relationship, which continues to evolve.

An indicated in the prior section of this report, among our concerns is the ability of the town to prepare and complete requisite submissions to the Department of Revenue (DOR). In the recommendations that follow, we offer suggestions and guidance on more general town finance-related practices.

Recommendation 7: Outline Town Manager Goals and Objectives

We recommend that the selectmen and town manager further define their working relationship in order to establish priorities and clear expectations. The responsibilities of the town manager are wide-ranging as enumerated in the town charter. However, beyond carrying out these duties, it is expected that she will routinely receive selectmen requests to provide information, to take actions, and make decisions. When board meetings are held every seven days, the list can grow quickly and the time to achieve results is short. If selectmen are also regularly in town hall in between meetings, the town manager's attention is further diverted. When, as a result, little progress is reported on matters of interest, frustration on both sides can result.

With this in mind, we recommend that the board chair and town manager continually communicate to discuss the board's view of urgent matters, which would warrant an immediate response or update, and lower priority projects, which would require less frequent reporting. They should agree on each meeting agenda, not only to determine subjects to discuss, but which matters will not be raised. This should be communicated to members in advance.

In addition, there is a need for balance. We encourage the selectmen to monitor and objectively scrutinize the demands they individually and collectively place on the town manager. For her part, the town manager must maintain a reasonable flow of information so that the selectmen, who are the most visible and accessible face of government, can respond intelligently to resident questions.

As a matter of course, the town manager can help the process by noting how her time is allocated. In this way, both can reach agreement on how the town manager's time can be best spent to advance town goals and address the selectmen's needs.

Recommendation 8: Form Financial Management Team

We recommend that the town manager form a financial management team. The financial management team should include the accountant, treasurer, collector, principal assessor and MIS director, together with a representative from the school business office. Chaired by the town manager, it can serve as a forum to coordinate financial functions and discuss progress on finance-related deadlines. The team can identify critical junctures and offer strategies to deal with anticipated areas of concern, such as proposals on debt limits, reserve fund levels, revenue and expenditure estimates, and annual budget guidelines. Meetings also enhance lines of communication and provide a forum to raise and resolve interdepartmental issues. Furthermore, all involved receive the same message or information at the same time.

We have also seen where town managers have called smaller group meetings that might include, for instance, only inspectional services managers, or public safety department heads. More than anything else, these smaller forums can be more focused on issues of direct concern to those in attendance.

Recommendation 9: Complete Revenue Projections

We recommend that the annual budget process begin with revenue projections. In Provincetown, the budget process starts in September when department heads provide appropriation requests to the town manager. While a necessary exercise, municipal budgets in the Commonwealth are revenue driven, and should begin with a projection of revenues. It helps if projections are in a format that mirrors the Tax Recapitulation sheet. Otherwise, projections should be conservative. The tax levy can be calculated using new growth figures based on assessors' information. Initial state aid projections should be based on current year amounts, then adjusted for economic trends and the state's fiscal environment. Town policy should direct the percentage or balance of free cash, stabilization or other one-time revenue used, as well as determine the level of increase, if any, in local receipts estimates.

By the end of January, a single round of revenue projection adjustments can be completed. State aid projections can be adjusted to reflect the recommendation presented in the Governor's budget. Other adjustments may be made to account for anticipated changes, spikes or aberrations in revenue sources. As House and Senate local aid proposals are released, further adjustments can be made, but the passage of the town budget should not be delayed while waiting for the final state budget. If the state budget provides more local aid than anticipated, the balance should be appropriated to stabilization or be allowed to close to free cash. Departmental budgets approved in the spring should not be revisited in the fall even if additional revenue is realized.

Recommendation 10 Adopt Policies to Build Reserves

We recommend that Provincetown officials commit to annually appropriate revenues to the stabilization fund. Although we recognize that current fiscal circumstances make it difficult

to build a sizable stabilization fund balance, the town should adopt policies that direct and restrict the use of reserve funds. We advise a policy that addresses the following:

- Establish a target balance for the stabilization fund in a total dollar amount or as a percentage of the total annual budget. The town should commit to raise, over time, and maintain a cumulative reserve balance in the range of three-to-five percent of the operating budget;
- Appropriate non-recurring revenue, or surplus revenue, to the stabilization fund or restrict its use to one-time costs; and,
- Restrict the use of the stabilization fund to non-recurring expenditures and only in an amount above a certain dollar threshold. Do not use stabilization funds to finance operations.

We recommend that the town seek ways to generate free cash. In the last eight fiscal years, the town has generated free cash only twice. This was due in part to the inability to overcome deficits associated with the town nursing home, which has since been sold. Moving forward, if the town is conservative in its estimate of local receipts and avoids other deficits, it will improve prospects for generating free cash. When that occurs, we recommend the following:

- Direct the use of all or a portion of free cash as a funding source for stabilization, or only as an outlay for one-time capital projects or purchases; and,
- If free cash must be used for operations, treat it as a general revenue source for the ensuing year's budget and not to supplement current year appropriations. Always retain a portion of free cash as unexpended to serve as a beginning point in the subsequent year's free cash calculation.

Recommendation 11: Assess the Fiscal Impact of School Regionalization

We recommend that the town pursue an independent study to determine the financial ramifications of joining the Nauset Regional School District. In terms of enrollment, Provincetown supports the smallest PK-12 school district in the Commonwealth. As a direct result, its per pupil cost at \$24,896 in FY2008 is second highest in the state. (Minuteman Regional High School is highest with a per pupil cost of \$26,971). Of 102 students in Grades 7-12, only 46 are Provincetown residents, another 22 arrive from other communities by way of school choice and 34 arrive from Truro under a tuition agreement. According to State Department of Education statistics, foundation enrollment has declined in each year since 1999.

During these times of fiscal stress, it is sensible for town officials to investigate all possible cost savings opportunities, including the option to join the Nauset Regional School District. Any effort to regionalize is fundamentally a local decision, and therefore we offer no opinion on what course the town should take. However, because opposing opinions are entrenched on the subject, it strikes us that a responsible action would be to secure a comprehensive and objective analysis of the potential fiscal impact if Provincetown were to join

the Nauset Regional School District. Only then can a decision be made which serves the best interest of the town.

We would expect the scope of such a study to include, but not necessarily be limited to, a review of documents, data, and other considerations as follows:

- The End-of-the-Year expenditure reports for Provincetown and the Nauset Regional School District, filed with DOE;
- Cherry Sheets for Provincetown and the Nauset Regional School District;
- Chapter 70 and other school related aid statutes and formulas;
- Regional Transpiration Aid and potential transportation costs;
- Provincetown Enrollment Data;
- Resolutions to School Building Assistance reimbursements and outstanding debt obligations;
- Future use of the current Provincetown high school building and facilities;
- Continuing cost to operate the Provincetown K-6 school system; and,
- Any other additional regulatory and legal considerations.

Recommendation 12: Consider Residential to CIP Tax Shift

We recommend that Provincetown consider the adoption of a split tax rate. Concerns were expressed to us about the tax burden placed on residential taxpayers in Provincetown. To ease this burden, one option is to adopt a split tax rate, which would shift a portion of the tax burden from residential taxpayers to commercial, industrial, and personal property taxpayers (CIP). Although, in the last seven years, the number of commercial properties in the town have declined by 50, the number of personal property accounts have grown by 455 in only the last five years. This dynamic supports local observations that the towns housing stock is increasingly occupied as second homes, whose out-of-town owners are obligated to pay a personal property tax.

By law, the shift in total tax burden from residential to CIP properties cannot exceed 150 percent of what would have been paid under a single tax rate, and the resulting residential rate cannot reduce the total residential levy to less than 65 percent of what would have been paid under the single rate. As a starting point, we suggest that the principal assessor present town officials with multiple scenarios based on various percentage shifts in the split tax rate. The [DLS Revenue/Expenditure Forecasting](#) tool can be useful in this exercise.

Recommendation 13: Consider Adopting the Residential Exemption

We recommend that the town analyze the impact of the residential exemption. The residential exemption re-allocates the tax burden entirely within the residential property classification. It does not increase overall tax revenue for the town. To qualify, a property must

be the principal residence of an owner-occupant, and can be other than a single family home. To date, eleven cities and towns have adopted the residential exemption which is typically attractive to resort communities, or to those with a high proportion of rental units, absentee landlords and second home owners.

Attached as Appendix B, is a DLS-generated calculator that estimates how a residential exemption might impact Provincetown residents. According to the analysis, an assessed value of \$657,233 is the break-even point. Savings on tax bills would increasingly accrue to properties with lower assessed values while a higher tax expense would be assigned to properties with an assessed value greater than \$657,233. The range of benefits varies with the town's choice of an exemption percentage and current occupancy levels among different residential property types. Also, to help verify whether an applicant qualifies for the exemption, the town may be able to access tax return information maintained by the Department of Revenue where a person proclaims his or her primary residence.

Recommendation 14: Adopt M.G.L. c. 32B, §18

We recommend that Provincetown shift some of the costs of retiree health insurance to the Federal Medicare program. The acceptance of local option statute M.G.L. c. 32B, §18 requires eligible retirees to enroll in Medicare at age 65 without any loss of benefits. The town would be required to insure retirees only for any gap in Medicare coverage compared to the existing municipal coverage on a "comparable actuarial value" basis, but at a much lower cost. Officials should also be aware that a financial penalty is imposed on the town for each full year an employee was eligible, but not enrolled in Medicare B. Therefore, delays in adopting M.G.L. c. 32B, §18 will be costly. While not subject to collective bargaining with current retirees, there would be a requirement to impact bargain with current employees to the extent that it affects their retirement benefits.

Recommendation 15: Modify Personnel Practices

We recommend that the town manager formulate a process for evaluating town personnel. The town manager should develop guidelines that establish a time, procedure and framework for reviewing the job performance of managers and staff. Employee evaluations reinforce responsibilities and clarify job expectations for managers and staff with the message that their performance will be measured annually. The process should confirm and document what employees actually do, that all legal responsibilities are accounted for, and that they conform to collective bargaining agreements. If implemented in a methodical even-handed way, regular job performance evaluations can reinforce employee accountability. The town should also be aware that instituting performance reviews would be subject to collective bargaining for certain employees.

This process will form the basis for developing up-to-date job descriptions. It will also help the town manager determine where personnel resources are in greatest need, where they are not being fully, or where they might be more efficiently assigned.

We recommend the consolidation of all town personnel files into one central location. It is our understanding that the assistant town accountant has separated personnel from payroll files. In order to be in further compliance with M.G.L. c. 149, § 52C, c. 214, §1(b) and rules pertaining to Workers' Compensation, Family and Medical Leave and information protected under the Americans with Disabilities Act, we recommend that all town personnel files be securely kept in one place. Presently, personnel files are located within the town manager's office, department of public works and the police department. A central filing system within the town manager's office provides the employee benefits administrator with direct access, and allows her to restrict access to those not authorized.

We recommend that members of the finance department attend professional training and career development opportunities. Participation in professional organizations offers the opportunity for employees to interact with their peers, to exchange information and experiences, and to learn of innovations in their respective profession. Attending formal training and refresher courses will provide useful information and opportunities to learn about professional practices conducted in other municipalities. The town benefits when it encourages professional development for staff, and should budget money for this purpose.

Recommendation 16: Establish an Audit Committee

We recommend that the board of selectmen create an audit committee. Financial issues cited in the management letters that typically accompany the town's annual audit have been largely ignored. Therefore, we recommend that the selectmen appoint an audit committee of three or five might people which might include selectmen, school committee members, advisory and finance committee members, etc., as well as residents.

The committee would be charged with reviewing management letters and monitoring the town's progress in formulating and completing a corrective action plan, including town responses to issues raised. Periodically, the committee would report its findings to the selectmen, town manager and finance director. Responsibility to formulate responses and an action plan would fall to the finance director, with the input of finance officers. Although she would also be responsible for implementing it, we would expect the town manager to follow progress as well. An audit committee should also be involved in the procurement of auditing services, determining in advance the requirements and objectives of the audit, and selecting the eventual individual auditor or audit firm.

Given the substance of an audit report, the town would not want finance officers, or staff in finance-related positions, serving as members in order to avoid potential conflicts of interest.

Information Technology

Information management is a vital component of contemporary municipal government. As such, a municipality must ensure that town server(s) are running properly and that critical town data is backed-up on a routine schedule. A technology department must further maintain a secure infrastructure that protects sensitive data and prohibits intruders. It must maintain and monitor system performance so users can connect, as well as investigate, purchase, and install new software and/or upgrade existing applications. Additional responsibilities commonly include providing user assistance with general technology-related issues or problems, acting as a liaison between software vendors and town officials, supporting the town's website, and coordinating the development of town-wide technology related policies and procedures.

The management information systems (MIS) department in Provincetown consists of a full-time director and two full-time technicians. Beginning in FY2006, the town and schools entered into a memorandum of understanding (MOU) and agreed that MIS support and resources would be made available to the school department at no cost. Under the arrangement, the MIS director splits his time between the two operations depending on project and support needs, while the two technicians are assigned separately to the school and town. Both technicians are cross-trained and may be utilized interchangeably.

The MIS department is responsible for maintaining five servers and approximately 225 computers, of which 25 are networked in town hall. The network does not connect all town buildings. All computers utilize the Microsoft XP operating system along with MS Office 2000. School and town offices have email capacity and Internet access. Virus protection is maintained and system back-ups are completed daily. School administrators and teachers have access to a work order tracking system (Altiris) which receives logs and tracks responses to technology support requests. Training for staff on Microsoft Word, Excel and Access is typically provided on request. The MIS department also manages the town's website.

Conclusion - With three full-time staff, high performance expectations would be justifiable, even when technology services are provided to both the town and school departments. In this regard, the MIS department appears to be active in many areas and is working to be proactive in others. The MIS staff is already planning to install an Altiris type portal on the town side of government. They are working toward high speed connections among all town buildings. They hope to consolidate tracking and management of various software licensing agreements. A process is being developed to evaluate the effectiveness of computers and other equipment. The department is in the early stages of formulating a hardware and software upgrade program. Preliminary work has been completed relative to a telephone system upgrade.

Nonetheless, our singular recommendation encourages development of more clearly defined priorities in a formal way. To do this, we envision greater involvement of the town manager, particularly when planning the capital outlay needed to support progress. System end-users should also be solicited for opinions when technology topics touch their respective areas of expertise and the MIS director should be included in financial management team meetings.

Recommendation 17: Build a Technology Plan

We recommend that the MIS director develop a formal technology plan. Although a number of technology initiatives are underway, we recommend that the MIS director, with the town manager and with the input of department heads, work them into a written long-term plan. Even if it requires phased-in goals because of a possible town hall improvement project, a document that identifies a practical list of technology priorities has value to overall town planning and budgeting efforts. We would envision a plan to include, but not be limited to, the following components, many of which are already being addressed and pursued by the MIS director and staff.

- An inventory of all hardware in use including servers, computers, copiers, printers, etc.;
- An inventory of all software and support contracts;
- A long-term hardware replacement and software upgrade schedule, with projected costs;
- A plan for security and safety, back-up, and disaster recovery procedures;
- A schedule to review and update computer use, email and Internet policies;
- An evaluation of troubleshooting capabilities;
- A long-term financing plan;
- An analysis of system capacity to handle current and future demands; and,
- An assessment of staff training and department software needs;
- Develop and update Internet, email and computer use policies.

We also recommend that all technology-related matters be consolidated in the MIS department. The MIS department should manage support agreements and costs should be consolidated under one line item in the technology budget. All requests for traditional technology purchases should require review and approval of the MIS director. Departments should not be making purchases outside of an overall town plan, which the MIS department implements and oversees. In some towns, all technology-related appropriations are also shifted from departments into one line item under the control of the MIS department as a means to ensure adherence to the overall plan for the town.

Finance Director/Accountant

The town accountant has a legal obligation to oversee all financial activity of the municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts, and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; and, reconciles cash and debt with the treasurer and receivables with the collector monthly. In addition, the town accountant tracks revenue and expenditures, and is typically involved in the annual budget process. Among required submissions to the Department of Revenue, the town accountant is responsible for producing the town's annual Schedule A and year-end balance sheet (for Free Cash certification). Finally, the town accountant works with the board of assessors and town clerk in the preparation of the town's Tax Recapitulation Sheet.

Recently organized under a department of municipal finance, Provincetown's finance director serves as the town accountant and supervises the offices of the treasurer, tax collector and assessor. In addition to the activities identified, the finance director is responsible for the administration of payroll through the Harpers Payroll Service and maintenance of employee personnel records. Support staff in the office includes a full-time deputy town accountant, responsible for accounts payable, and a full-time assistant town accountant charged with administration of payroll.

In FY2007, the town engaged the services of Mark Abrahams to both build and help set up a new chart of accounts and to complete a detailed study of indirect costs charged to water and wastewater enterprise funds. Although indirect cost recommendations have been implemented for FY2009, the new chart of accounts has yet to be installed.

Conclusion - Among our five primary recommendations, four fall within the parameters of the accountant's office. Due to the efforts of the town accountant, outside auditor, town manager and DLS, the office is beginning to focus and function more effectively, however, there is a long road ahead. Our recommendations are intended to be constructive and are offered as a means to further advance operations and improving job functionality.

Furthermore, although we do not make a specific recommendation, it should be noted that the current physical layout of offices within the finance department is not ideal for the town accountant, treasurer, collector or their staff to concentrate on the completion of work assignments.

Recommendation 18: Improve Time Management

We recommend that the finance director take steps to develop a work plan. We believe the finance director has the knowledge, experience and support to implement our primary recommendations. However, we also believe that if she is going to successfully integrate a new chart of accounts, bring the general ledger up-to-date and stay current with entries, as well as

ensure the timely reconciliation of cash and receivables, she needs to more effectively manage her time. Therefore, we recommend she develop a work plan, which would identify goals and outline the process necessary to achieve them. It would allocate and assign responsibilities to staff and herself. It would specify when during the month, week and day they would be accomplished.

As a starting point, the town manager and finance director should meet to agree on a timeframe within which major goals will be completed and on interim milestones for measuring progress. Thereafter, we would expect them to meet weekly to review progress and address issues.

Recommendation 19: Modify Payroll Procedures

We recommend that the town manager, in agreement with the financial management team, develop an electronic timesheet to be used by all town departments. Currently, employee timesheets vary in format from department to department. We recommend instead a uniform employee timesheet be developed in Excel for use by all departments. It should be formatted to show each day of the pay period with the intention that employees would fill-in the number of regular pay hours, or sick leave or vacation time used. It can be distributed electronically, or in hard copy. Signed by employees, timesheets would remain in the department.

We recommend that the town manager, in agreement with the financial management team, also develop a departmental cover page for employee timesheets. To complement the new timesheets, we suggest that the team create a cover page for information summarized by workweek for each department employee. The cover page would be signed by the department head and submitted to the deputy accountant instead of individual timesheets. It would include each department employee's name; total hours credited to regular, sick or vacation time, and the total pay due for the pay period.

We recommend that the deputy accountant utilize the Harpers payroll service application to track employee sick and vacation accruals. Rather than maintaining separate Excel spreadsheets for each employee, which tracks sick and vacation accrual, all data should be entered and reported through Harpers Payroll Service. The Harpers payroll application is set up to track leave accruals and print them on pay stubs. Towards this end, we encourage the town to explore how Harpers can help with entering relevant employee information into the system.

We recommend that payroll warrants include employee detail. To meet the requirements of M.G.L. c. 41, §52, gross pay by employee should be should attached as back-up documentation to the warrant. The town manager, who approves warrants in Provincetown, must be able to inspect and view each individual payment, which at a minimum includes an employee's name and gross salary. Net salary may also be included, but individual withholding amounts should continue to be indicated in the aggregate on the payroll warrant.

Recommendation 20: Generate Monthly Project Status Reports

We recommend that the accountant generate and distribute monthly project expenditure reports. As a matter of prudent practice, we advise the accountant to generate and distribute monthly reports on the status of town projects. The report would show the approved budget, expenditures to date, and remaining funds. A project manager and the accountant should each maintain independent records. The status reports then serve as the principal tool for the project manager and accountant to reconcile project spending and to calculate remaining fund balances against their records. As always, any variances identified should be researched and resolved.

Recommendation 21: Maintain a Debt Schedule and Reconcile with Treasurer

We recommend that the finance director/accountant maintain an independent debt schedule and reconcile debt with the treasurer at a minimum annually. Under M.G.L. Ch 41 §57, the town accountant must keep a detailed record of all town debt. The accountant needs to maintain her own debt record detailing the amount, purpose and date of the debt authorization and the rate of interest and provisions for payment. Additional information might include the maturity date of the debt issued. The accountant, treasurer, and town clerk should confer after each town meeting to verify action taken relative to debt authorizations. At least once during the fiscal year, the accountant and treasurer should meet and reconcile debt activity so that, at year's end, all reports of that activity match and accurately reflect the town's debt position. If information on whether the borrowing is inside or outside the statutory debt limit is included, then preparing the annual Statement of Indebtedness required by DOR will be easier.

Treasurer

The treasurer is a community's cash manager who has custody of all municipal funds. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts, and that balances are monitored to ensure sufficient funds are available to cover town obligations as they become due. The treasurer also invests town monies and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, as well as various logs to track balances for grants, trusts and revolving funds and other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt internally, and then with the town accountant on a regular basis. The treasurer also maintains tax title accounts, conducts sales of land, and prepares documents to petition for foreclosure.

The full-time treasurer, who reports to the finance director, has served in the office since May 2006. The treasurer's position previously functioned under a combined treasurer/collector, which was split in 2001. The collector and assistant collector provide support to the treasurer that includes processing department turnovers, making daily bank deposits, and printing vendor checks.

As required, the treasurer maintains a cash book and debt schedules, which she maintains as Excel spreadsheets. It was reported to us that the cash book, which tracks the cash position within the town's checking and investment accounts, was last reconciled as of June 2007. Our understanding is that Provincetown has engaged the services of their outside auditor Thomas J. Scanlon & Associates to provide training to the treasurer on the reconciliation of the cash book. The treasurer also completes requisite tasks related to the maintenance of tax title accounts, foreclosure proceedings and sales.

Conclusion - The recommendations we offer, when implemented, will improve the management and reporting of cash. Although the treasurer is technically without staff, the collector and assistant collector provide assistance with certain responsibilities, which seem to be holdover practices from when the treasurer and collector positions were combined. Regardless, we provide guidance that is intended to strengthen financial management within the office and improve processes. It is likely that with sufficient training, and through the implementation of our recommendations, steps can be taken to improve operations within the treasurer's office.

Recommendation 22: Simplify Cash Book

We recommend that the treasurer create and maintain a simplified cash book. In its present form, the treasurer's cash book is comprised of multiple, interrelated Excel spreadsheets. We believe she would benefit from a simplified, straightforward format.

The general fund cash book should be organized by month with a beginning cash balance. Entries would be by day for receipts (reflected by departmental turnovers received, wire transfers, etc.). When deposits occur, they would be listed in an adjacent column, and as a check at the end of the month, total deposits should match total receipts. Disbursements

(reflected by approved payroll and vender warrants) would be listed in another column. The beginning balance adjusted by receipts and disbursements should give the treasurer the ability to accurately verify the total cash position of the town at any given point. We further suggest that the town's bank accounts be listed in successive columns to the right. Deposits, withdrawals, or transfers in and out of accounts can be recorded, and at the end of the month the bank activity as reflected in the cash book can be reconciled with the bank statements. Attached in Appendix C is a sample cash book.

Recommendation 23: Complete Internal and External Reconciliations

We recommend that the Treasurer routinely complete reconciliations. At the end of each month, the treasurer should reconcile the bank accounts listed in her cash book to bank statements. Typical to any bank reconciliation process, adjustments would be made for checks that have not cleared or are returned for insufficient funds, deposits in transit, interest earned, bank fees, etc.. We suggest the treasurer develop a checklist, or reconciliation worksheet that ensures that all issues are addressed. Once the cash book is reconciled to bank statements, it is ready for reconciliation to the accountant's general ledger.

On a date agreed to with the accountant at the end of each month, the treasurer and the accountant should meet to reconcile the cash book balances to the town's general ledger. If variances occur, the treasurer and accountant should each search through source documents to ensure that their respective entries are correct. For the treasurer, source documents include turnover sheets, deposit slips, warrants, check registers and bank statements. Through a process of elimination, the variance can be isolated and corrected.

Recommendation 24: Implement Cash Controls

We recommend that the treasurer create a standardized turnover sheet. A standard turnover sheet for all departments would include the name of the department with a preprinted list of revenue types and account codes from the chart of accounts, which are specific to that department. Also included would be specific locations for dates, affirmations, and signatures. A third column, left blank, allows for the entry of turnover amounts. If the turnover sheets are completed in electronic form, the sheet can be set up to automatically total the turnover amount.

We recommend that the treasurer use turnover sheets as source documents for cash book entries. Current practice has the collector and assistant collector entering department turnover data into a daily receipts log in MUNIS, which the treasurer then utilizes to make cash book entries in Excel. For tighter financial control, the treasurer should use the department turnover sheets rather than the daily MUNIS report. Moreover, as the receipts log is by revenue type and cash book entries are by turnover, the department turnover sheets are better suited for the treasurer's data entry into the cash book.

We recommend that the treasurer impose tighter controls on departmental turnovers. Currently, turnovers delivered by departments to the treasurer are left in a basket behind the finance department counter where they await processing. Although convenient for other staff, merely dropping off money puts the treasurer at odds with sound financial practices. Departmental turnovers should be placed in the hands of a person and not left unattended. The turnover should be immediately counted and a receipt should be provided to the department staff person, who is then required to deliver a copy of the original turnover sheet to the accountant's office. The process should be the same even if a deposit slip is attached to the turnover sheet rather than cash.

Once a turnover is accepted, it should be set aside in a secure location. Although barriers keep the public at a distance, and turnovers are processed daily, we encourage the treasurer to consider using a locked drawer, box or safe to secure turnovers.

Recommendation 25: Consolidate Debt Schedule

As the treasurer has a statutory obligation to report annually to the town accountant and periodically to the Bureau of Accounts (BOA) and others information relative to the issuance and payment of debt, she should adopt consolidated spreadsheets that track debt information. In an effort to direct the consolidation of her current schedules, we offer the following:

We recommend that the treasurer create a monthly debt service schedule. The treasurer should maintain a debt schedule that charts debt service obligations on a per month basis for the current fiscal year. Used in tandem with monthly revenue and expenditure estimates, this information is critical to forecasting the cash flow needs of the town through the course of the year.

We recommend that the treasurer develop a long-term debt service schedule. In addition to the monthly debt service schedule, the treasurer should maintain and annually update a chart of scheduled principal and interest payments over a twenty-year period. This long-term debt chart should identify the date of issue, the purpose of the bonds, whether or not payments are self-supporting (covered by rates or by taxes), as well as whether the debt is excluded or not. As the schedule extends into the future, it should display overall principal payments and interest obligations by year, and when debt service begins and ends for individual projects. By further identifying borrowing that is inside and outside the debt limit, the information needed to complete the DOR "Statement of Indebtedness" will be readily available.

Recommendation 26: Research Returned and Unclaimed Checks

We recommend that the treasurer, take steps under M.G.L. c. 200A, §9A to advertise unclaimed checks, hold hearings and settle claims. Once deemed abandoned under M.G.L. c. 200A §5, and if the treasurer fulfils the legal requirements under M.G.L. c. 200A, §9A,

unclaimed checks, or tailings, can be credited to the municipality's general fund. We recommend that the treasurer complete the following procedures to keep this list to a minimum:

1. Review the outstanding check list during the monthly process of reconciling the cash book to bank statements;
2. Notify the appropriate department when a vendor, employee or other check is uncashed for 30 days or more;
3. Request that the department head contact the payee to determine why the check is not cashed;
4. If the payee cannot be located, void the check. Notify the accountant. The town's obligation remains, but a new invoice and warrant approval will be necessary to re-issue payment. If the payee is contacted, put him on notice that the check will be voided if not cashed within 30 days.

Tax Collector

A tax collector's office ensures that collections are counted, posted to taxpayer accounts, and either turned over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a tax collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the town accountant monthly. Credit balance reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within 20 days. In most communities, the tax collector also manages the contractual agreement with the deputy collector.

The full-time tax collector in Provincetown has served in the role since 2001 when the position was split from a combined treasurer/collector. Although supported by a full-time assistant, many of the assistant's responsibilities carried over from her previous role as municipal finance secretary under a treasurer/collector. These duties include, making bank deposits, sorting mail, coordinating department turnovers, providing customer service, data entry into parking department reports, as well as printing and mailing vendor checks and distributing payroll checks to departments.

The collector's office issues 4,065 real estate bills, 2,663 personal property bills, 4,275 motor vehicle excise, and 458 boat excise bills. Real estate collections are semi-annual with the vast majority processed through the Century Bank lockbox service. In total, about 75 percent of real estate bills are handled electronically, 15 percent via mail, and 10 percent over-the-counter. In addition, the department is responsible for the collection of approximately 4,500 water and wastewater bills, which are sent out, twice a year, in December and May. The collector anticipates an additional 169 wastewater accounts within the coming months as phase II of a wastewater expansion project comes to conclusion.

Real estate and personnel property commitments are transferred electronically from the assessing office to the collector after conversion from the Kapinos to the MUNIS format. The collector's staff posts payments to taxpayer accounts in MUNIS. Real estate bills, which include all betterments, land bank and community preservation act surcharges, are printed by PKS, an outside vendor. In instances when a taxpayer fails to make a timely payment, demand notices are issued 30 days after bills are mailed, with a second demand notice sent 30 days following the initial demand. If the taxpayer fails to make a timely tax payment, the collector secures the town's lien on the property through the tax title procedure. The deputy collector handles motor vehicle and personal property delinquents. Separately, the department of public works, through the Enhance software application, creates the water and wastewater commitment.

Conclusion - The tax collector is proficient in his duties and performs his statutory responsibilities. Our principal recommendation comments on the need for the collector to reconcile the receivable control with the accountant's general ledger, while we also provide a

recommendation encouraging the town to expand the legal authority of the collector to accept other amounts due the town.

Recommendation 27: Reconcile Receivable Control

We recommend that the collector regularly reconcile his receivable control to the accountant's general ledger. It is our understanding that although the collector internally reconciles his receivable control, it has never been reconciled to the accountant's general ledger. This is an important financial control that needs to be completed on a regularly basis. Therefore, we recommend that the finance director/accountant and collector agree on a date each month when they will meet to reconcile receivables. Should variances occur between the records of the collector and accountant, the collector should research appropriate detail and source documents to verify the accuracy of entries.

Recommendation 28: Accept Town Collector Local Option Statute

We recommend that Provincetown adopt M.G.L. c. 41 §38A and establish a bylaw converting the office of tax collector to town collector. A tax collector only possesses the authority to collect real and personal property taxes, excises, betterments, and certain other charges added to and committed as taxes. In order for the collector to receive water and wastewater bill payments, or to collect any other monies owed to the town, specific action is necessary to designate the tax collector as a town collector through local acceptance of M.G.L. c. 41 §38A.

Assessors

The assessors' office is responsible for valuing all real and personal property in town and generating the commitment that authorizes the tax collector to collect real estate tax and motor vehicle excise payments. Work is generally performed through a combination of office staff and professional appraisal firms. DLS annually reviews town assessments represent full and fair cash value, and conducts a certification of values every third year. In addition, the assessors calculate annual "new growth" increases in the community's levy limit; participate in setting the annual tax rate by submitting the Tax Recapitulation Sheet to DLS for approval; and prepare the annual property tax commitment for the collector. The office also handles all abatement applications, property tax exemptions allowed under state law, and sets the overlay.

In Provincetown, the board of assessors consists of five members and one alternate. There are current vacancies in one regular member position and the alternate position. The full-time principal assessor is appointed by the town manager and, by virtue of his position, also serves as a regular member of the board. The selectmen appoint the remaining four board members. The board's primary responsibilities include reviewing and approving valuations, abatements and exemptions, and signing-off on the overlay and new growth estimates. Remaining day-to-day responsibilities fall to the principal assessor, full-time assistant assessor, full-time administrative assistant, and two to three full-time summer property inspectors.

The town utilizes the outside consultant Paul S. Kapinos & Associates, Inc to conduct data analysis and to develop values required as part of the annual revaluation and triennial certification for DLS. Kapinos also makes property assessment information available to the public through the town's municipal website. Kapinos is contracted on a year-to-year basis for approximately \$15,000-\$18,000. Separately, the town contracts every third year for the inspection of approximately 400 personal property accounts at an additional cost. The last review was completed in FY2006.

The volume of work in the assessors' office includes 4,065 real estate bills, 2,663 personal property bills, and 4,275 motor vehicle excise and 458 boat excise bills. In FY2007, 4,061 motor vehicle excise bills, less those abated, amounted to \$476,164, while 384 boat excise bills, less abatements, totaled \$19,039. Provincetown mails real estate tax bills on a semi-annual basis, while excise bills are issued throughout the year. In addition, Provincetown issued an averaged of 160 to 300 building permits over the past three fiscal years, and had about 200 real estate sales in FY2007, of which 140 were arms length.

In FY2007, the office approved 34 residential and commercial real estate abatements, 13 commercial and residential personal property abatements, and 182 personal exemptions. Although charges to the overlay reserve for abatements and exemptions have fluctuated over the past three years, Provincetown charged an average of \$102,000 to the overlay reserve. Currently, there are no real property Appellate Tax Board (ATB) cases pending, however like most towns in the Commonwealth they have a wireless communications personal property ATB case pending.

Conclusion – Our recommendations below reflect the positive opinion of DLS that the assessing office fulfills its function, completes requisite tasks, and is in general compliance with the Bureau of Local Assessment’s accepted practices and state regulations. Our primary recommendation is intended to encourage Provincetown’s assessing office to incorporate more sales inspections into the cyclical inspection process.

Recommendation 20: Emphasize Sales Inspections

We recommend that the assessing department emphasize sale inspections over cyclical inspections. As part of a cyclical re-inspection program, Massachusetts cities and towns are obligated to measure the exterior and inspect the interior of all improved properties within their boundaries at least once every nine years. In Provincetown, the assessor adopted an aggressive data collection process, which targets the inspection of 500 properties over the summer. Because of the demands of this schedule, the assessor does not emphasize sale inspections.

Sales inspections are critical to the determining local market trends and whether annual adjustments to value are warranted. With additional interior and exterior measurements, a sales inspection can also qualify toward the cyclical process. Therefore, we advise the assessor to stress sale inspections and to incorporate cyclical re-inspection requirements. To gain access to property interiors, assessors often go to open houses prior to a sale, or team up with fire safety officers and building inspectors on their routine inspections.

Recommendation 30: Reduce Returned Tax Bills

We recommend the assessors regularly report changes in property title to the collector. When tax bills are returned because owners as of January 1 subsequently moved to a new address, the collector sends the mail to the assessors so that new owner names can be identified. The information is sent back to the collector so tax bills can be re-addressed. If the assessors’ office runs a monthly report of deed changes entered into the property data base, which the appraisal software should allow, and sends it to the collector, the process would be streamlined.

In addition, the principal assessor and collector should work with the town’s vendor to redesign printed bills so that they are addressed to new owners. This is typically possible by moving the name of the owner as of January 1 to a location on the tax bill outside the envelope window or apart from the address. By doing this, a tax bill is more likely to be delivered to the taxed property in the new owner’s name, rather than sent to the old owner at a forwarding address.

Appendix A

Provincetown Assessed Values by Class

FY	All Residential	CIP	Total	% Res	% CIP
2000	720,918,500	277,971,200	998,889,700	72.2%	27.8%
2001	850,274,700	312,498,700	1,162,773,400	73.1%	26.9%
2002	1,055,250,500	370,125,390	1,425,375,890	74.0%	26.0%
2003	1,320,061,800	401,895,125	1,721,956,925	76.7%	23.3%
2004	1,516,318,500	444,812,800	1,961,131,300	77.3%	22.7%
2005	1,636,276,486	442,999,074	2,079,275,560	78.7%	21.3%
2006	1,971,265,339	481,782,791	2,453,048,130	80.4%	19.6%
2007	2,112,981,409	484,505,661	2,597,487,070	81.3%	18.7%
<u>Change</u>					
2000-2007	193.1%	74.3%	160.0%	9.2%	-9.2%

Provincetown Single Family Residences Assessed Values

FY	Total assessed value	Parcels	Average assessed value	Average tax bill	Hi-Lo Rank
2000	226,547,400	778	291,192	2,490	135
2001	265,379,300	774	342,867	2,544	146
2002	323,278,300	791	408,696	2,575	171
2003	431,073,700	802	537,498	2,994	138
2004	487,978,500	806	605,432	3,300	126
2005	537,024,000	806	666,283	3,705	101
2006	651,478,700	808	806,286	4,072	98
2007	696,347,200	812	857,570	4,254	95
<u>Change</u>					
2000-2007	207.4%	34.0	194.5%	70.8%	-40.0

Provincetown Condominiums Assessed Values

FY	Total assessed value	Parcels	Average assessed value	Average tax bill
2001	249,703,200	1,358	183,876	1,364
2002	333,344,300	1,407	236,918	1,493
2003	407,229,000	1,466	277,782	1,547
2004	494,659,300	1,559	317,293	1,729
2005	566,315,800	1,659	341,360	1,898
2006	710,334,700	1,769	401,546	2,028
2007	768,168,300	1,861	412,772	2,047
2008	783,229,400	1,939	403,935	
<u>Change</u>				
2001-2008	213.7%	581.0	119.7%	-100.0%

Appendix B

Residential Exemption

BACK-UP DATA AND CALCULATIONS

Provincetown FY07

****DLS: Input assessment data into yellow squares
for specified town/city****

EXEMPTION AMOUNT =	20%				Tax Rate
2007 Assessment Report Without Exemption					4.96
Property Type	Parcels	Assessed Value	Average Value/Parcel		Levy
Single Family	812	696,347,200.00	857,570.44		3,453,882.11
Condos	1861	768,168,300.00	412,771.79		3,810,114.77
2 Family	228	205,247,000.00	900,206.14		1,018,025.12
3 Family	65	58,912,300.00	906,343.08		292,205.01
Apartments	85	98,835,600.00	1,162,771.76		490,224.58
Vacant Land	219	59,015,400.00	269,476.71		292,716.38
Primarily Res.	212	114,765,309.00	541,345.80		569,235.93
Misc	114	111,690,300.00	979,739.47		553,983.89
Total	3596	2,112,981,409.00	587,592.16		10,480,387.79

Exemption Calculation (given below assumptions)					
Exemption	exemption amount	Reduction	new taxable value	2007 Res. Levy	
20%	117,518.43	377,016,757.91	1,735,964,651.09	10,480,388.00	
				Necessary Rate	6.04

Assumptions	
Property Type	% Owner-occupied
Single family	95%
Condos	95%
Multi-family (2 & 3 family)	95%
Apartments	95%
Vacant Land	0%
Primarily Res	95%
Misc	95%

Approximate Impact				
Value of home	Tax bill w/o exemption	Tax bill with exemption	Change in tax bill	
100,000.00	496.00	(105.81)	(601.81)	
200,000.00	992.00	498.19	(493.81)	
300,000.00	1,488.00	1,102.19	(385.81)	
400,000.00	1,984.00	1,706.19	(277.81)	
500,000.00	2,480.00	2,310.19	(169.81)	
600,000.00	2,976.00	2,914.19	(61.81)	
657,232.71	3,259.87	3,259.87	0.00	
800,000.00	3,968.00	4,122.19	154.19	
900,000.00	4,464.00	4,726.19	262.19	
1,000,000.00	4,960.00	5,330.19	370.19	
1,100,000.00	5,456.00	5,934.19	478.19	

Appendix C

Sample Cash Book

Date	Source/description	Revenue Detail	Revenue Total	Deposits	Date	Warrant #	Disbursement amount	Balance \$
Beginning monthly balance								xx,xxx,xxx
xx/xx/xx	Collector's TO #xx Deposit #00-xxx		xx,xxx	xxx,xxx	xx/xx/xx	Payroll #xx	xxx,xxx	
xx/xx/xx	Building dept. #00-xx Recreation #00-00 Town clerk #00-xx Library #00-00 Deposit #00-xxx	xx,xxx xx,xxx x,xxx xxx	xx,xxx	xxx,xxx	xx/xx/xx	Vendor #xx	xx,xxx	
xx/xx/xx	MA Dept. of Ed. Tax title Tax title interest Recreation #00-xx Deposit #00-xxx	xx,xxx x,xxx x,xxx x,xxx	xx,xxx	xx,xxx	xx/xx/xx	Payroll #xx	x,xxx,xxx	
xx/xx/xx	Meters #00-xx	xxx		xxx				
xx/xx/xx	Ch 32B	xxx						
xx/xx/xx	Health #00-xx	x,xxx			xx/xx/xx	Vendor #xx	xxx,xxx	
xx/xx/xx	Police #00-xx	x,xxx			xx/xx/xx	Payroll #xx	xxx,xxx	
xx/xx/xx	Town clerk #00-xx	x,xxx			xx/xx/xx	Vendor #xx	xxx,xxx	
xx/xx/xx	Fire #00-xx Deposit #00-xxx	xxx	xx,xxx	xx,xxx				
xx/xx/xx	School lunch #00-xx	xx,xxx	xx,xxx	xx,xxx				
xx/xx/xx	State aid	xxx,xxx	xxx,xxx	xxx,xxx				
xx/xx/xx	Interest Cash account	xxx	xxx		xx/xx/xx	Vendor #xx	xxx,xxx	
xx/xx/xx	Interest Trust funds	x,xxx	x,xxx					
xx/xx/xx	Interest MMDT	xx,xxx	xx,xxx					
xx/xx/xx	Interest Recreation	x,xxx	x,xxx		xx/xx/xx	Payroll #xx	xxx,xxx	
					xx/xx/xx	Vendor #xx	xxx,xxx	
Total		x,xxx,xxx	x,xxx,xxx	x,xxx,xxx			x,xxx,xxx	\$ xx,xxx,xxx
Ending monthly balance								

Appendix D

Sample Employee Time Sheet and Department Cover Sheet

Salaried Employee Time Sheet

Employee Name: _____

Department: _____

Week ending: _____

Day of Week	Date	<u>Hours worked</u>			<u>Leave hours</u>			Total hours
		Regular	Vacation	Earned	Sick	Holiday	Other	
Sun								0
Mon								0
Tues								0
Wed								0
Thurs								0
Fri								0
Sat								0
Subtotals:		0	0	0	0	0	0	
Week 1 total								0

Day of Week	Date	<u>Hours worked</u>			<u>Leave hours</u>			Total hours
		Regular	Vacation	Earned	Sick	Holiday	Other	
Sun								0
Mon								0
Tues								0
Wed								0
Thurs								0
Fri								0
Sat								0
Subtotals:		0	0	0	0	0	0	
Week 2 total								0

	Regular	Vacation	Earned	Sick	Holiday	Other	
Total	0	0	0	0	0	0	

Pay period total	0
-------------------------	----------

Employee Signature _____

Date _____

Hourly Employee Time Sheet

Employee Name: _____

Department: _____

Week
ending: _____

Day of Week	Date	<u>Morning</u>		<u>Afternoon</u>		<u>Hours worked</u>		<u>Leave</u>			Total
		In	Out	In	Out	Regular	OT	hours			
Sun											0
Mon											0
Tues											0
Wed											0
Thurs											0
Fri											0
Sat											0
Subtotals:		0	0	0	0	0	0	0	0	0	
										Pay period	0

Day of Week	Date	<u>Morning</u>		<u>Afternoon</u>		<u>Hours worked</u>		<u>Leave</u>			Total
		In	Out	In	Out	Regular	OT	hours			
Sun											0
Mon											0
Tues											0
Wed											0
Thurs											0
Fri											0
Sat											0
Subtotals:		0	0	0	0	0	0	0	0	0	
										Pay period	0

	Regular	OT	Vac	Sick	Other
Total	0	0	0	0	0

Pay period total 0

Employee Signature _____

Date _____

Departmental Pay Voucher

Department: _____

Pay period: _____

Salaried Employee

- Employee Name:	<u>Hours</u> Regular	Vacation	Earned	Sick	Holiday	Other	Total hours

Hourly Employee

- Employee Name:	<u>Hours</u> Regular	Rate	OT	Rate	Vac	Sick	Other	Rate	Total pay
									0
									0
									0
									0
									0
									0
									0
									0
									0

Authorization: _____ Title: _____ Date: _____

Acknowledgements

This report was prepared by:

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In preparing this review,

DLS interviewed the following persons and other town hall staff members:

Mary-Jo Avellar, Chairman, Board of Selectmen
Michele Couture, Vice Chairman, Selectman
Austin P. Knight, Selectman
Pam Parmakian, Selectman
Gary Delius, Chairman, Finance Committee
Ruth Gilbert, Vice Chairman, Finance Committee
Sharon Lynn, Town Manager
David Gardner, Assistant Town Manager
Alexandra Heilala, Finance Director and Town Accountant
Irene Silva, Deputy Accountant
Marge McGloin, Assistant Accountant
Linda O'Brien, Town Treasurer
Barry Stephen, Tax Collector
Cheryl Duarte, Assistant Tax Collector
Paul Gavin, Principal Assessor
Richard Faust, Assistant Assessor
Cheryl MacKenzie, Administrative Assistant
Beau Jackett, Management Information Systems Director
Pamela Hudson, Secretary to Town Manager and Employee Benefits Administrator
Vernon Porter, Secretary to Board of Selectmen
David Guertin, Department of Public Works Director
Ron Gamella, Department of Public Works Systems Coordinator
Dana Faris, Department of Public Works Finance Coordinator
Dominic Rosati, Parking Lot Manager
Patricia Benatti, Administrative Assistant, Parking Department