



Town of Rockland

Financial Management Review

April 2003

INTRODUCTION

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

We have based our findings and recommendations on site visits by a Municipal Data Management & Technical Assistance Bureau (MDM/TAB) staff member and consultations with field representatives of the Bureau of Accounts (BOA) and the Bureau of Local Assessment (BLA). During these visits, the staff interviewed members of the board of selectmen and finance committee, the town administrator, accountant, treasurer, collector, assistant assessor and other municipal office staff and committees.

DLS staff examined such documents as the tax rate recapitulation sheet, town reports, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness and other assorted financial documents.

The purpose of this review is to assist town officials and boards as they evaluate the town's financial management. In reviewing the existing financial management, we have focused on: (1) the town government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication among relevant boards and officials, (3) the performance of financial operations in such a way as to maximize resources and minimize costs.

The board of selectmen should consider the recommendations contained in this report in formulating overall strategies for improving the town's financial management. Many recommendations in this report can be implemented without a major change in the current structure of town government given sufficient cooperation among town boards and officials. However, our most important recommendation, involving the town's governmental structure, will require a change to the town's charter.

EXECUTIVE SUMMARY

Rockland is located about 20 miles southeast of Boston in Plymouth County. It is a small community with a land area of about 10 square miles and a population of 17,670 persons in 2000. Formerly a part of the town of Abington, Rockland was incorporated in 1874. From that time until the 1930s, shoe manufacturing was the predominant industry in the town and played a significant role in the development of the community. Today, Rockland is a primarily residential community (79.6 percent of the real property value) with a solid commercial and industrial base (20.4 percent).

The town's FY03 budget is about \$39.94 million. When compared to the FY93 budget of about \$23.2 million, this is roughly a \$16.7 million or 72 percent increase over the last ten years. The vast majority of the dollar growth is attributable to the increased school spending requirements of the Education Reform Act of 1993. Yet, despite this growth in budget and services, Rockland has been faced with a number of challenges.

The town has had trouble producing a balanced budget for annual town meeting in the spring. In order to support its recommended budget, the finance committee often increased new growth and local estimated receipts based their own analysis. These overly aggressive estimates resulted in revenue shortfalls so that fall town meeting had to reduce budgets—over \$1 million in FY01 and \$1.5 million in FY02—to bring its estimated revenues and expenditures into balance before setting the tax rate. Knowing it did not have solid information on its financial position and available funds, Rockland even tried to make appropriations with a “caveat” that money would not be spent if the funding were not available. However, a community must demonstrate that funds are available at the time they are appropriated, so this practice was stopped. The town attempted Proposition 2½ overrides to fund FY02 services with limited success¹ in December 2001. A subsequent FY03 school override of \$1.2 million failed (46 to 54 percent).

Compounding its budgeting problems, Rockland has had little financial flexibility because it has not had available reserves. During the prosperous 1990s, many communities implemented prudent budget practices and built up their reserves, such as the Stabilization Fund and free cash. Rockland, however, did not (see Appendix A). The town struggled to restore service levels cut from the early 1990s and had no spare revenues to set aside in the Stabilization Fund. Free cash, on the other hand, represents unrestricted funds from the previous fiscal year's operations, including actual receipts in excess of estimates and budgetary turnbacks. Based on a balance sheet dated as of June 30th, free cash is certified as of July 1st and expires at midnight on the following June 30th, hence it is not available until a new balance sheet is submitted and approved by DLS. It took until FY95 for the town's free cash to be positive. Unfortunately, it quickly experienced a set back in FY98 when the town's free cash fell to -\$547,821. According to records, the town's FY95 free cash was certified, but not appropriated by town meeting until 12/5/95, more than five months after it expired. The town subsequently used all of its FY96 and FY97 free cash before this error was booked properly, resulting

¹ The voters approved one (public safety) of four (\$389,500 for public safety, \$57,500 for highway and parks, \$90,200 for town hall services and \$655,309 for schools) override questions presented.

in a negative fund balance and no free cash. This and the aggressive revenue estimating practices contributed to the lack of free cash over the last four years.

The town's practice of aggressively estimating its local receipts (see Appendix B) also has contributed to an increased funding requirement for education spending under the Education Reform Act of 1993. Annually, the state determines increases in education spending to be funded with state aid and local revenues. By increasing its general local receipts to meet its budgeting needs, Rockland inadvertently drove up its municipal revenue growth factor², the component used to increase a community's contribution to education spending. This problem was compounded by the fact that the town misclassified some non-recurring receipts on its tax recapitulation sheet. Beginning in FY02, the town has taken a more conservative approach to estimating its revenues, however, with the recent decline in the economy, officials are concerned about whether they can sustain this practice.

The town has had problems with its sewer department that reports to an elected sewer board. In 1999, the town's auditor disclosed cumulative deficits of almost \$600,000 in the sewer fund that had not been previously reported or raised. This was viewed as a major financial deficiency and a concern to the Department of Revenue's Director of Accounts. Consequently, Rockland is one of ten communities required to submit a completed private audit before the property tax rate is set. In 2002, the sewer department was the focus of a criminal investigation and the sewer superintendent was indicted for embezzling \$168,000 from the sewer fund. In addition to the criminal investigation, the town administrator and accountant discovered problems with some sewer department bills and the town hired a second auditor to perform a forensic audit.

Complicating the town's financial standing are problems raised in the management letters by the town's auditor. Since FY98, the auditor has raised concerns repeatedly about the condition of the town's general ledger and internal controls. The auditor found that the chart of accounts was improperly set up and maintained during each year, resulting in a material weakness. A material weakness is a reportable condition of such magnitude that it could potentially result in material misstatements of financial condition. Rockland's auditor reported that because of the general ledger's condition, accurate financial statements could not be produced and it required significant work and analysis by the auditor. The accountant has been slowly working on the problem in the process of upgrading the town's computerized financial system, however, it remains a significant problem.

Other issues raised by the auditor include lack of formal policies and procedures that ensure the town's assets are safeguarded and financial transactions are properly recorded. The auditor cited personnel paid via vendor warrants rather than through payroll as required. The auditor also noted the failure of some departments to maintain adequate documentation (i.e., pre-numbers licenses, permits, tickets and receipts), to properly report receipts on timely turnover reports to the treasurer, and the infrequent reconciliation of receivables between departments and the accountant. Many of the problems raised involve independent boards and officials who do not report to the selectmen. The selectmen are aware of these problems, but under the current decentralized town government

² This is an estimate of the percentage change in a municipality's revenue growth for a fiscal year. It is the combined percentage increase in the automatic 2½ levy limit increase, estimated new growth, and change in selected state aid categories and unrestricted local receipts.

structure (see Appendix C) have little power to address them when the independent boards and officials have failed to cooperate or take corrective action.

Since 1999, the town has been working on upgrading its financial computer system. The accountant is the town's data processing coordinator and responsible for this project. Because of the general ledger problems reported by the auditor, the town delayed this conversion until a new chart of accounts was designed and the general ledger was cleaned-up. The first phase of converting the town's financial records began in November 2002, but it has not been completed. This is due to the accountant's inexperience in computer conversions and the day-to-day demands of his accounting responsibilities. The status of the conversion has halted generation of management reports (i.e., monthly revenue and expenditure reports, trial balance reports for cash reconciliation, and budget analysis reports), which is frustrating officials and department heads.

In the summer of 2002, Moody's Investor Service downgraded Rockland's bond rating from A3 to Baa1. In making this decision, Moody's cited certain factors affecting the town. These include an \$800,000 teachers' pay deferral³, lack of reserves, recent operating and fund balance deficits, and a limited ability to raise revenues under Proposition 2½ due to the practice of levying to its limit and recent override failures. Going forward, Moody's recognized the town's modest debt burden (mostly covered with debt exclusions), recent conservative budgeting practices, and moderate growth (such as new businesses like Serono Laboratories). However, Moody's believed that Rockland's financial condition may not improve in the near future.

Now, the town is faced with a declining economy and state aid cuts. In February 2003, the governor announced FY03 state aid cuts more than half way through the year. For Rockland, this was a \$274,823 reduction. While the town anticipates its actual local revenues will exceed estimates, the town, like many communities throughout the state, has placed a spending freeze on all non-essential expenditures. However, this reduction in state aid is minor compared to what could happen in FY04. Rockland receives almost 33 percent of its funding from state aid. With such a high reliance on state aid, a 10-20 percent cut in state aid—based on the widely circulated projections by local and legislative leaders—could mean upwards of \$2.5 million for Rockland. Based on this projection, departments were asked to re-submit FY04 budget requests in January with 10-15 percent reductions from the FY03 budget level. This would result in drastic cuts in every department such as reduced hours of operation and staffing, cuts in services, layoffs, and closing of one of the town's three elementary schools. It is unclear as of this writing what the final FY04 state aid picture will look like, but local officials are treading carefully, erring on the side of conservatism.

To countermand the impact of any state aid cuts, Rockland is looking at its revenue sources closely. Rockland is considering an auction to sell off surplus land held by the community and put it back on the tax rolls; it has proposed special legislation to increase the hotel/motel tax by 2.5 percent; and it is looking for ways to operate the town better and more efficiently. To assist them in the latter pursuit, town officials requested DLS' assistance in evaluating the town's financial operations.

³ In FY92 and FY93, the town authorized \$800,000 in teachers' deferred salaries. The town began paying off this liability in FY97, taking the full fifteen years allowed to dispose of it at about \$53,333 per year. As of the end of FY03, the remaining balance will be \$426,667.

In summary, Rockland is at a crossroads. It has a decentralized form of government with little or no accountability or control. Past budgeting practices required substantive spending reductions midway through the year in order to set the town's tax rate timely. These budgeting practices also impacted the town's ability to develop reserves, which may be used in the event of emergencies and unanticipated expenditures, and contributed to a downgraded bond rating. Rockland's operating procedures and the safety its assets have been questioned by the auditor and now the town is subjected to a criminal investigation and forensic audit due to the activities of the independent sewer department. Lastly, given recent failed overrides and proposed state aid cuts, the town will be hard pressed to develop an operating budget without severe cuts in personnel and services. To address its recurring problems and improve accountability, the town will need to be innovative and consider major changes to the way it does business, most notably the way town government is organized.

Below is a summary of our financial management review, followed by a more detailed discussion of our observations and recommendations.

Overall Financial Management & Budgeting (page 7) – Rockland's governmental structure is very decentralized. In part, the lack of central accountability has led to some of its financial and other problems. Increasingly, communities are reviewing their structure and moving towards a more centralized form of government. Therefore, we recommend that Rockland adopt a strong administrator or town manager form of government. Under this model, the administrator/manager would be responsible for overseeing all town operations, supervising department heads and coordinating financial management, including the budget process. We also recommend that the town establish a financial team to assist the administrator/manager and that the town's policymaking boards meet periodically throughout the year to discuss financial issues. We further recommend that the town consider combining its treasurer's and tax collector's offices to ensure the consistency of these functions in the face of possible budget cuts, and that the town adopt enterprise fund accounting for its water and sewer operations.

Computer Systems (page 12) – The town is upgrading its financial computer system, but it is incomplete. Consequently, the accountant is unable to produce management reports and he is required to perform previously automated functions manually until the first phase is completed. To help resolve this, the town has sought the assistance of a consultant. We support the town's decision to seek support services to correct the general ledger and suggest that the consultant be retained to complete the full conversion. Because the primary responsibility of the accountant is to maintain the general ledger and perform other accounting activities, we also recommend that the town consider appointing another employee as the computer coordinator. With the upgraded financial computer system, we recommend that the town and school department begin transferring information electronically. We recommend that the town consider using the payroll and personnel modules of the fully integrated financial system. We also found departments share information that cannot be electronically transferred at this time, requiring re-keying of information which is inefficient and increases the potential for data entry errors. Therefore, we recommend that the town explore ways to transfer information more efficiently.

Accountant's Office (page 16) – As a part of the accountant's duties, he prepares numerous reports and reconciliations for financial management and tracking purposes. We found that some of these reports are not prepared timely or until the end of the fiscal year, if at all. We recommend that the accountant make every effort to complete and submit these reports timely, we reiterate the need to transfer the computer responsibilities elsewhere, and we recommend that the town explore alternative billing and accounting systems for the ambulance service. We also found that not all contracts are in the custody of the accountant in compliance with statute and very little has been done to implement the Governmental Accounting Standards Board (GASB) Statement 34, a new accounting and reporting standard for capital assets and infrastructure. We recommend that all departments and boards submit contracts to the accountant annually and that the accountant begin gathering information concerning GASB Statement 34.

Assessing Office (page 19) – We have made recommendations in the assessing office designed to assist in the maintenance of the town's property database. We recommend that the town consider acquiring a new computer assisted mass appraisal (CAMA) system, replacing an older system that does not provide the office with the ability to maintain its property database or generate necessary management reports with ease. We recommend that the assistant assessor/appraiser inspect all sale properties because they represent the most current information available about the local real estate market and serve as the basis for adjusting property values. We recommend that the town institute a cyclical re-inspection program over a multi-year period to maintain the most current, accurate data rather than contracting for costly full re-inspections every nine years. We also recommend that the assessing office annually monitor and analyze changes in the local market and make necessary interim year adjustments to assessed values.

Tax Collector's Office (page 23) – This office is responsible for collecting the town's property taxes, excises, and water, sewer and trash receipts. However, the posting of the water, sewer and trash payments to user accounts is done by the water, sewer and health departments because the collector does not have access to their computer system. Also, payments without a bill may not be accepted because of the lack of printed or electronic customer information. For a tax collector to accept all accounts due a community, the town must accept legislation (MGL Ch. 41 §38A) converting the office to a town collector, which we recommend the town do. We also recommend that the office be given electronic access to water, sewer and trash customer accounts to accept payments without bills and to post all payments received.

Treasurer's Office (page 25) – This office is responsible for payroll and management of the town's cash and borrowings. We found that the office prepares detailed reports and summaries on collections, deposits and disbursements, however, there was no comprehensive cashbook. We recommend strongly that one be created and maintained. We found departmental receipt turn over reports vary in presentation and most are not useful when posting receipts to the Munis system. We recommend that the treasurer, in cooperation with the accountant, standardize these reports for all departments and boards. We also found that the treasurer performs unnecessary and redundant data entry, bringing payroll withholdings and voluntary deductions back into the Munis system as cash receipts. These could be eliminated if gross salaries, tax withholdings, voluntary deductions, and net salaries (with attached detail) were included in the payroll warrant for selectmen approval.

SUMMARY OF REPORT FINDINGS AND RECOMMENDATIONS

1. Overall Financial Management & Budgeting (page 7) – Adopt a more accountable governmental structure
2. Overall Financial Management & Budgeting (page 10) – Combine the treasurer and collector offices
3. Overall Financial Management & Budgeting (page 10) – Adopt enterprise funds for water and sewer operations
4. Computer Systems (page 12) – Conversion of the financial computer systems
5. Computer Systems (page 13) – Implement the electronic connection with the school's system
6. Computer Systems (page 14) – Use of the fully integrated Munis system
7. Computer Systems (page 15) – Transfer data electronically
8. Accountant's Office (page 16) – Timeliness of reports and reconciliations
9. Accountant's Office (page 17) – Custody of all town contracts
10. Accountant's Office (page 17) – Implement GASB 34 statement
11. Assessing Office (page 19) – Upgrade assessing computer and CAMA system
12. Assessing Office (page 21) – Perform additional Inspections
13. Assessing Office (page 22) – Maintain current values
14. Tax Collector's Office (page 23) – Authority of the tax collector's office
15. Tax Collector's Office (page 24) – Access to current water, sewer and trash billing information
16. Treasurer (page 25) – Create and maintain a comprehensive cashbook
17. Treasurer (page 26) – Standardize departmental receipts reports
18. Treasurer (page 26) – Revise payroll procedures

OVERALL FINANCIAL MANAGEMENT & BUDGETING

FINDING 1: ADOPT A MORE ACCOUNTABLE GOVERNMENTAL STRUCTURE

Since 1970, the town of Rockland has been organized under a home rule charter. In the charter, a five-member, board of selectmen serves as the executive branch and an open town meeting as the legislative branch. The charter provides for the appointment or election of various town officials, boards and commissions. Therefore, the town's organizational chart is decentralized (Appendix C).

In the charter, there is a charter maintenance committee (CMC). This committee is responsible for reviewing and recommending changes to the charter and town bylaws. Currently, the CMC is proposing a number of articles for town meeting consideration, including forming a capital planning committee, eliminating certain elected officials and organizing a finance department and public works department, and establishing a town administrator bylaw.

Rockland has an appointed town administrator (MGL Chapter 41 §23A). The position is filled by an individual with suitable education and executive qualifications. The current administrator has been employed for a year. The administrator supervises and manages departments under the jurisdiction of the selectmen, serves as the liaison to other independent boards, and is the chief procurement officer. The administrator oversees the personnel system and records, negotiates contracts, manages the town's general insurance programs, and keeps the selectmen fully informed of administrative and fiscal matters. According to the job description, the administrator is responsible for preparing a financial forecast and directing the capital planning, but neither is done currently.

By charter, there is a fifteen-member finance committee, a part-time board responsible for reviewing and making recommendations on all town meeting articles. Historically, the finance committee has been responsible for the budget process. The finance committee holds departmental budget hearings beginning in January. After completing departmental budget hearings, the finance committee reviews its revenue estimates, conducts its final deliberations, and then presents its budget recommendations to town meeting. Because the budget process requires both significant time and energy of the part-time board, the administrator has assisted the committee with the process. This includes preparing preliminary revenue estimates and a budget package that is distributed to all departments. The administrator compiles data for the finance committee and develops a series of Excel spreadsheets to input departmental requests and monitor the changing status of the budget, updating it periodically to reflect the town's financial picture and/or decisions of the finance committee.

As stated earlier, the town has been experiencing challenges both financially and organizationally. Rockland operates on a year-by-year basis with no reserves, financial or capital planning – all of which have contributed to the decrease in the town's bond rating by Moody's Investor Service. Budget requests are funded based on available resources that are generally determined by the finance committee with little input of the town's financial officers. The town tried to improve its budget planning and coordination in FY02 when it established a financial planning committee made up of town officials, department heads and citizens, however, it became defunct after the FY03 budget was approved. Now, with proposed state aid cuts, non-school services could be affected dramatically over the next few years. The lack of central administration and coordination is evident by the sewer

department's troubles and the auditor's concerns. Repeatedly, the auditor has raised issues about the lack of procedures and internal control (i.e., accounting for cash, reconciling receivables and reporting expenditures properly) that involve independent boards, yet they go unresolved. The selectmen, as the primary policymaking board, is ultimately responsible for the town's financial well being, but is unable to get independent boards and officials to develop a coordinated response to the audit findings and recommendations.

Rockland currently has a weak town administrator form of government. The administrator does not coordinate departmental operations and many department heads report to part-time boards or no one on a daily basis. He does not oversee the town's financial activities or manage the budget process. Rather, he provides assistance or relays information to the selectmen who are ultimately powerless to address issues under the jurisdiction of independent boards or officials. Under this decentralized organization, there is no coordination or accountability.

Rockland is faced with a number of challenges. Compounding the town's fiscal problems are the recent failed overrides, proposed reductions in state aid and the prospect that things may not improve in the near future. Under the current governmental structure, budget constraints will affect services or pit departments against each other for the limited resources. Under these conditions, Rockland's problems are at risk of becoming worse. Therefore, there is a need to improve accountability and coordination of the town's operations. As many communities have learned, it may be necessary to change the town's organizational structure to streamline operations, improve lines of communication, provide efficient services and implement effective policies. Adopting a centralized reporting structure allows a town to funnel its business through a strong administrator who is responsible for coordinating the multi-million dollar town operation with all its financial and legal complexities.

RECOMMENDATION 1: ADOPT A MORE ACCOUNTABLE GOVERNMENTAL STRUCTURE

We recommend that Rockland adopt a strong town administrator or town manager form of government through a charter change. Given the growing complexity of local government, recurring problems and limited resources of Rockland, a more cohesive structure would enable the town to coordinate financial management and operations better. The administrator/manager should be responsible for coordinating financial management and overseeing town operations to insure that they are performed in an efficient manner. This position should be responsible for the following.

- Town operations – He should oversee town operations to ensure all services are provided in a coordinated manner and are as cost effective as possible. He should also be responsible for appointing and supervising department heads to create a more accountable town government.
- Budget process – He should manage the budget process. He should solicit technical and financial information from financial team members (see below), prepare a balanced budget proposal, and present it to the town's policymakers. The administrator should provide updated revenue and budgetary information as it becomes available and provide managerial and analytical support to the finance committee so they may review proposals and focus on decisions and planning that will impact future budgets. The finance committee would continue to make budget recommendations to town meeting.

- Computer system – He should manage the town’s computer system. He should be responsible for the implementation of the new system, ensuring the conversion is done efficiently and with minimal impact on the various office operations. He should be responsible for the maintenance, security, and plans to modify or expand the current uses in a coordinated fashion among departments.
- Forecasting and costing of services – He should be responsible for preparing a multi-year forecast of revenues and expenditures, including analysis of labor and service contracts or other expenditures with multi-year impacts. As a part of the annual budget process, he should also coordinate user fee coverage analysis and rate setting decisions by reviewing service costs and revenue information to ensure current rate structures are sufficient for full cost recover.
- Financial reserves and other financial policies – He should be responsible for recommending to policymakers methods of building up reserves such as free cash and Stabilization Fund for emergencies and unanticipated expenditures. He should prepare financial analyses or scenarios for resolving issues with the goal of assisting policymakers in developing cohesive policies. Reserves and other financial policies should be reviewed annually as a part of the budget proposal.
- Capital planning – He should be responsible for directing and coordinating the capital planning process. He should prepare an annual capital budget and multi-year plan for presentation to the policymakers and town meeting.

To achieve this management structure, Rockland will need to consider charter changes to reduce the number of separately elected boards and officials and make them appointed. The CMC may conduct a comprehensive review and recommend changes that may be filed as a special act with the legislature or the town may elect a charter commission (MGL Chapter 43B). A comprehensive charter review will provide the community an opportunity to study all the committees, boards and offices of the town. A charter review enables the town to determine if those entities are practical or if other operations are more suited to perform the work, streamlining the government and eliminating possible duplication of activities. Generally, this process takes upwards of a year, as the commission reviews what has proven successful in other communities and gathers public input.

We recommend that the town establish a financial team through the adoption of a bylaw. The financial team should be a permanent committee. It should be chaired by the administrator/manager and meet on a regular basis throughout the year. Its membership should include at least the accountant, collector, treasurer, assistant assessor and school superintendent or business manager. A bylaw would formalize the participation of the above officials in the financial team process, however it would not be necessary if a strong administrator or manager form of government is adopted.

The purpose of the financial team would be to improve the flow of information among departments, to coordinate the fiscal operations of town departments, and to compile comprehensive financial information to assist the town’s policymakers in their decision-making process. It would be the role of the administrator/manager, with support of the financial team, to combine financial information from a variety of sources. The team can help develop financial analyses, explore the financial impact of future events and offer early strategies to deal with anticipated problems. It would provide input into the town’s cash flow analysis, including the timing of major purchases and the issuance of new debt.

Collectively, this committee should review financial documents (e.g., revenue and expenditure reports, balance sheet, audits, tax recapitulation sheet and town share costs for the schools) for completeness and accuracy. This information would provide a comprehensive picture of the town's financial health at any point in time.

We recommend that the town's policymaking boards meet periodically throughout the year to discuss financial issues. On a quarterly basis, the administrator/manager should present updates jointly to the selectmen, finance committee and school committee on topics such as the prior year's performance, year-to-date activities and issues as they come up. These policymakers should use these meetings to discuss information presented and to plan for future needs.

FINDING 2: COMBINE THE TREASURER AND COLLECTOR OFFICES

The treasurer and collector are separately elected and their offices currently function well due to years of service and dedicated personnel. However, during the last year, one of the treasurer's staff has been out on sick leave. This has left the work of three individuals to two staff members and, on occasion, one. Currently, town officials are planning for state aid cuts in FY04, and are requesting 10-15 percent budget cuts for all departments. According to the collector, a cut in her budget will result in staff reductions. For the treasurer's office, the cuts would mean no supplies and reductions in the tax foreclosure account.

In many ways, the responsibilities of these offices overlap. Both offices have revenue collection responsibilities and both play a role in the pursuit of delinquent property tax accounts. The availability of cash flow to support town operations is dependent on timely and consistent revenue collections. Given the potential impact FY04 budget cuts may have on the ability of these offices to perform consistently and the collector's decision to not seek reelection after 2003, the town should consider combining the resources and staff of these offices.

RECOMMENDATION 2: COMBINE THE TREASURER AND COLLECTOR OFFICES

We recommend that the town consider combining the treasurer and collector offices into a single appointed office. Given the need to have both of these functions operating consistently and the town's need to improve financial accountability, Rockland may want to consider an increasing trend among Massachusetts' communities, which is to create a combined, appointed treasurer/collector's office. This change allows the town to create one department with the operational responsibilities of both offices and ensures future treasurer/collectors have strong professional credentials and relevant experience. A combined office will enable personnel to be shifted based on service demand (i.e., payroll and quarterly tax collections). Also, with a combined office and cross training among staff members, there will be consistent coverage if a staff member is out for a brief or extended period. To accomplish this, the town may propose it as part of the charter review process or the town may seek separate special legislation.

FINDING 3: ADOPT ENTERPRISE FUNDS FOR WATER AND SEWER OPERATIONS

Rockland's water and sewer operations are accounted for as special revenue funds. The annual appropriations for these services cover direct, most indirect and capital costs. The debt service costs

of the water department are also covered through user fees, but the sewer debt service is subsidized by the general fund. These services are funded generally through user fees. Any surplus (or deficit) that is attributable to these operations closes to the water fund and sewer fund, respectively. According to town officials, it is the expectation that each operation is self-supporting through its user fees. However, during our review, we found that not all support service costs (e.g., the accountant's time to prepare the warrant and the collector's time to make collections) were included.

These town services were established through special legislation (Chapter 206 of the Acts of 1885 as amended and Chapter 338 of the Acts of 1913). Each authorizing act provided the town the authority to raise revenues and/or issue debt to fully or partially cover the costs of construction and operating each service. Nowhere in either of these acts is the town given the authority to establish a special revenue fund separate from the general fund that generates a surplus. Without proper legal authorization, the water and sewer surpluses should be closed to the general fund. The town did adopt the enterprise fund local acceptance law (MGL Ch. 53F $\frac{1}{2}$) for the sewer operation in May 1999 only to rescind it in 2002 because it was never implemented due to the lack of fixed assets accounting.

RECOMMENDATION 3: ADOPT ENTERPRISE FUNDS FOR WATER AND SEWER OPERATIONS

We recommend that the town adopt enterprise fund accounting for its water and sewer operations by accepting MGL Chapter 44 §53F $\frac{1}{2}$. An enterprise fund legally establishes a separate accounting and financial reporting mechanism for services that a fee is charged in exchange for goods or services. This enables a community to fully identify the total cost of providing a service in a consolidated fund and may assist the community in determining if a service is self-supporting or is subsidized by the general fund. In addition, any interest earned on the operating revenues and surpluses generated at yearend would be retained in the enterprise fund. Once a surplus is certified as available (similar to free cash), it may be used to fund operating, capital or debt service costs associated with the water or sewer operations.

With the adoption of an enterprise fund, the community will be required to identify and value all the fixed assets (capital items and infrastructure) of the service. An inventory of the age and condition of the service's assets may be used to develop a replacement schedule for capital improvements. Furthermore, the valuation of fixed assets and infrastructure is now required by the Governmental Accounting Standards Board (GASB) Statement 34 (see Accountant's Office section), so lack of fixed asset accounting will no longer be an obstacle.

Establishing an enterprise does not create a separate or autonomous entity from the municipal operation. The municipal department operating the enterprise service continues to fulfill financial and managerial reporting requirements like every other department and the enterprise budget is still subject to the appropriation process.

COMPUTER SYSTEMS

Like the town's general operation, the town's computer systems are decentralized. The town's financial offices use Munis, an integrated financial system residing on a Unix platform, and have access to Microsoft Office applications. The Munis system modules used include the general ledger; accounts payable; and tax and excise billing and collections. The treasurer uses ADP software to produce payrolls. The treasurer also uses Excel spreadsheets for the cashbook, to track deferred tax accounts and to verify her tax title and foreclosure accounts. The assessing office uses a computer assisted mass appraisal system to value and manage property accounts, which resides on a server in the assessing department. The water, sewer and health departments use a Data National System to bill and maintain customer accounts for water, sewer and trash services. The server resides in the water department building and there are electronic connections to the sewer department in a separate building and the health department in town hall. Last, but not least, the school department maintains its own Munis financial system and server, submitting reports to town hall for manual re-entry into the town's system. The town hall offices do not have electronic mail and only recently got access to the Internet.

The accountant has been assigned the responsibilities of a data processing coordinator. In this capacity, the accountant is responsible for overseeing the town hall's two servers and network; administering the data processing budget, acquisitions and consultants; and providing user support. There are 13 personal computers connected to the network in town hall. The accountant generally can handle user issues as they arise. For more technical issues, the town contracts with an outside consultant for software, hardware and network support.

FINDING 1: CONVERSION OF THE FINANCIAL COMPUTER SYSTEMS

The town is upgrading the Munis system from the Cobalt-version to the GUI-version with an intended completion date of June 2003. The town has appropriated over \$99,000 for this project and a new server, personal computers and software have been purchased. As the data processing coordinator, the accountant is responsible for this entire project. While the accountant is familiar with the condition of the town's financial books and the use of the Munis system, the accountant, admittedly, is not a trained professional in computer systems. Given the limited resources available for this project, he has relied on the advice and additional contractual support of the Munis vendor to assist him during the conversion; however, the majority of the work has been performed by the accountant.

In November 2002, the town began the first phase of migrating the data. The town transferred the general ledger, accounts payable and budgeting functions onto the new system. Because data was converted, the town needs to check and test these modules. The accountant has done a cursory review and determined that some old information was imported that needs to be corrected, but due to his primary responsibilities as town accountant, the work to complete this conversion has fallen to the wayside. The town also has run into new problems. Because this phase of the conversion has not been completed, the accountant has not been able to perform monthly closings since September and cannot prepare revenue or expenditure reports. In addition, because of the two different Munis versions being used, the accountant must make general journal entries to post the treasurer's receipts

and tax collection transactions that automatically flowed into the general ledger before. Sensing the urgency to get the general ledger back in working order and complete the conversion before the end of FY03, the finance committee recently approved an \$11,000 reserve fund transfer to hire a computer consultant to assist the accountant.

RECOMMENDATION 1: CONVERSION OF THE FINANCIAL COMPUTER SYSTEMS

We support the town's decision to seek assistance in the computer conversion and recommend that the town retain the consultant to complete the conversion. With only a few months to go in FY03, it is imperative that the town make every effort to fix the general ledger so the accountant may prepare his monthly closings, trial balances, and operating reports necessary to manage the town properly. With a knowledgeable Munis consultant, the entire conversion should be completed timely and fully tested with as little interruption to the town offices as possible.

We recommend that the town consider appointing another town employee as the computer coordinator. The town's computer systems are a vital part of the financial offices. However, the accountant's responsibilities as data processing coordinator are interfering with his primary responsibilities to maintain the general ledger and perform accounting functions (see accountant section). It is essential that the town accountant focus his efforts on these activities and that another employee be assigned the computer responsibilities (i.e., providing user support, performing backups and determining if a problem requires the vendor's assistance). If another town hall employee is unable to perform this job, the town may have to seek additional outside computer support services.

FINDING 2: IMPLEMENT THE ELECTRONIC CONNECTION WITH THE SCHOOL'S SYSTEM

There is a fiber optic line between the school department and town hall that is designed to transmit financial information electronically, however, it is not used. Instead, because of the town's delays in upgrading the Munis system, the school department purchased and installed its own server and GUI-version Munis software. Using this separate Munis system, the school department is able to post its budget and expenditures, process their own invoices, and prepare their own payroll and accounts payable warrants. The printed warrants and backup documentation are submitted to the accountant's office for review and approval. If there are any problem bills submitted, the accountant has the treasurer hold the payment until it is corrected to the accountant's satisfaction.

While having this stand-alone system is convenient to the school department for accounting and tracking its expenditures, it is a problem for the accountant's office. The accountant's office must make numerous general journal entries weekly to post the payments processed through the off-system warrant into the town general journal and it must keep bulky paper files because the town's Munis system lacks the detail information.

RECOMMENDATION 2: IMPLEMENT THE ELECTRONIC CONNECTION WITH THE SCHOOL'S SYSTEM

Once the Munis conversion is completed, we recommend that the school department use the fiber optic line installed to transmit financial information electronically to town hall. The electronic transmission of financial data will greatly reduce the amount of manual entry the accountant's office is performing currently.

FINDING 3: USE OF THE FULLY INTEGRATED MUNIS SYSTEM

The treasurer contracts with ADP to process the town's payroll at a cost of about \$46,000 annually. From start to finish, the ADP payroll production takes a few days. Because the selectmen meet on Mondays to approve and sign warrants, the treasurer must begin processing payroll on Wednesdays for the current pay period.

Town departments submit ADP payroll worksheets to the treasurer by Wednesday. The treasurer's staff inputs the non-school payroll information into the ADP application and electronically transmits it to ADP on Thursday⁴. On Friday, ADP sends payroll summary sheets confirming the entries and the treasurer reconciles any differences. Any changes between Wednesday and Friday (i.e., overtime and time off the payroll) are reported to ADP for inclusion in the current payroll. The accountant uses the ADP payroll summary sheets to review the payroll and then the treasurer instructs ADP to print the checks. Because the payroll is produced off-system, the accountant must use the payroll summary sheets to make general journal entries into the Munis system for both town and school payrolls. In addition, the ADP payroll summary sheets are used to produce non-school payroll journals in Excel, which is used as the warrant for the selectmen's approval⁵. The checks are delivered to town hall and secured by the treasurer until the selectmen approve the payroll warrants on Monday night. Checks are distributed on Thursdays to employees.

While the treasurer processes the payroll, she does not keep track of the available balance and use of personnel time (i.e., vacation, sick, and personnel time), or attendance records, of all employees. Every employee submits a weekly timesheet that accounts for time worked and/or absences for that pay period. According to local officials, many departments retain these timesheets and keep their own internal accounting of time earned and used for each employee. Other departments forward timesheets to the selectmen's office, where the executive assistant enters the information manually onto an attendance card as time allows. Without a centralized attendance system, a community can experience problems. For example, an employee could receive payment for compensated absences in excess of available time. Similarly, someone who retires from town service could also receive payment in excess of accumulated time. To prevent the latter, the accountant must make the time to review available personnel records kept in the selectmen's office or at the department level to determine what amount if any should be paid to an employee upon retirement. Furthermore, because the accountant has not been able to obtain a full accounting of the townwide uncompensated absences, this liability has not been included in the town's financial statements.

In the newest version of the Munis system, a payroll and personnel module enables a community to process payroll and centrally track attendance information in-house. Both are processed based on the submission of employee timesheets for each pay period. Generally, this system is set-up based on standard payrolls and only exceptions (i.e., compensated absence, overtime, and change of pay grade) are entered. Using this integrated module, the treasurer will be able to enter the payroll and attendance information, verify it against source documents immediately, produce payroll reports for

⁴ The school department directly enters its own payroll information and transmits it electronically to ADP.

⁵ The school department directly enters its own payroll information into their Munis system, creating the school gross payroll warrant for the school committee's and selectmen's approval.

internal review and external filing requirements, and produce paychecks/stubs without having to meet an external vendor's schedule. Using this module will also enable the accountant to review and post the information electronically, eliminating the need to data enter the treasurer's office work.

RECOMMENDATION 3: USE OF THE FULLY INTEGRATED MUNIS SYSTEM

After the full Munis system conversion is complete, we recommend that Rockland consider using the payroll and personnel module. Munis is a fully integrated system that eliminates the need for manual records and off-system services. Payroll information may be entered once by the treasurer, verified against source documents and then posted to the system, thereby eliminating the need for the accountant's office to numerous general journal entries weekly.

FINDING 4: TRANSFER DATA ELECTRONICALLY

During our interviews, we found departments routinely send information in the form of hardcopy data reports to other departments (i.e., building permit data and utility collections). Generally, the information is taken from one software application and re-entered into another application. One of the basic advantages of computers is the ability to input information once and let the computer apply this data to the various other files or programs where it is required. Keying information more than once is inefficient and increases the potential for posting errors. As a result, the town loses much of the potential for efficiency inherent in computer systems.

RECOMMENDATION 4: TRANSFER DATA ELECTRONICALLY

We recommend the town survey office staff on the data that is shared or repetitively entered and explore ways to transfer this information more efficiently. The town should look in to data transferability between software applications or develop a database available to more than one office. Given the limited staff and resources of the community, exploring ways to operate more efficiently can free up valuable staff time.

ACCOUNTANT'S OFFICE

An accountant, assistant accountant, and part-time clerk staff the accountant's office. The accountant has been employed by the town for five years. The primary responsibility of the office is to maintain the town's general ledger and to perform the accounting functions. Typical accounting functions include preparing warrants; producing trial balances, revenue and expenditure reports; maintaining information on town debt; and reconciling cash and receivables with the treasurer and collector. The accountant is also responsible for the town hall data processing and computer systems.

FINDING 1: TIMELINESS OF REPORTS AND RECONCILIATIONS

Annually, the accountant prepares reports required by DLS. The accountant prepares the town's annual Schedule A, a yearend fiscal statement of revenues and expenditures. Since FY98, the town has failed to file its Schedule A by established deadlines. The accountant also prepares the town's balance sheet, which is necessary to the certification of free cash. Between FY99–FY02, the town did not file a balance sheet with DLS because it had a negative fund balance. During this review, the town did submit a balance sheet, and the town's free cash was certified for the first time in five years at \$827,219. On the other hand, the town has been timely in the submission of its annual tax recapitulation sheet to DLS.

Generally, the accountant generates monthly revenue and expenditure reports for the finance committee and town administrator and monthly expenditure reports for department heads. However, due to the computer conversion, the accountant has not been able to perform month-end closings and trial balances since October 2002, hence no revenue or expenditure reports have been produced. Until recently, the accountant also reconciled the cash and tax receivables with the treasurer and collector monthly, but these monthly reconciliations have also stopped because of the computer issues. In addition, the accountant typically prepares departmental receivable reports for the water, sewer, health and fire (ambulance) departments monthly. However, the accountant only gets a response from three of the departments (water, sewer and trash) once a year after June 30. Reportedly, the fire department manages the ambulance service manually and does not have a reporting system for billing, collections and receivables; hence, the accountant does not receive any departmental receivable report or figure for reconciliation purposes. Consequently, the accountant's general ledger does not reconcile with any of these departments' receivable detail.

Failure to complete or file certain reports timely can have an adverse effect on a community. Failure to file the Schedule A timely can result in the withholding of state aid distributions. Failure to reconcile cash and all receivables as of June 30 can result in free cash not being certified or certified but the amount approved by the Director of Accounts is adjusted downward for non-reconciling tax amounts. Failure to produce monthly trial balances hinders the accountant's ability to ensure his general and subsidiary ledgers are in balance and delays monthly reconciliations. Failure to produce these reports denies the town valuable management tools necessary to monitor financial activities and ensure the accuracy of the town's cash position.

RECOMMENDATION 1: TIMELINESS OF REPORTS AND RECONCILIATIONS

We recommend that a priority be placed on the completion and timely submission of required DLS reports and on the production of in-house financial reports. As such, the town should remove any obstacles so that the accountant is able to perform his work and prepare timely reports. For state deadlines, we direct the town to DLS' *Municipal Calendar: A Monthly Guide for Local Officials*. In-house expenditure reports, revenue reports, trial balances and reconciliations should be completed on a monthly basis within 15 days of the close of the month.

We recommend that the accountant meet with the other departments noted and establish a schedule to reconcile departmental receivables monthly. With the completion of regular and reliable reconciliations, the town will comply with statute and ensure certification of its free cash. Also, it will have a more precise picture of its financial condition and will be better prepared to finalize and close its books at year's end.

We also recommend that the town explore alternative ambulance service billing and accounting systems. The current practice does not provide useful information of what has been billed in total, by fiscal year, or the amounts that are outstanding, a criticism that has been repeatedly raised by the town's auditor. Without proper accounting and reporting practices, the towns' assets are at risk and the accountant will not be able to reconcile these receipts to the general ledger.

FINDING 2: CUSTODY OF ALL TOWN CONTRACTS

The accountant's office is not in possession of all town contracts in accordance with MGL Chapter 41 §57. Some departments routinely submit contracts to the office while others only submit them upon request after the accountant discovers their existence during the vendor warrant process. Some departments may not forward a copy of a contract but claim that the old contract was extended. This latter case occurred concerning the sewer department. The department claimed the old contract was still in force when in fact a new contract was in place. The accountant has requested that all departments, boards and commissions submit contracts, however some have chosen to ignore the request.

RECOMMENDATION 2: CUSTODY OF ALL TOWN CONTRACTS

We recommend that all departments, boards and commissions submit copies of all contracts to the accountant's office in compliance with MGL Chapter 41 §57. Whether a department reports to the selectmen's office or to an independently elected board, all must submit contracts to the accountant's office so that he can verify that the terms of the contract are met when reviewing payment requests.

FINDING 3: IMPLEMENT GASB 34 STATEMENT

Governmental Accounting Standards Board (GASB) Statement 34 is a new accounting and reporting standard that requires all governments to maintain a capital asset and infrastructure inventory which is reported on the entity's financial statements. The implementation of GASB Statement 34 will require the accounting office to perform additional work beyond the normal activities of the office in order to comply. There will be start-up and ongoing costs associated with planning, inventorying, valuing and maintaining the town's fixed assets and infrastructure. There will also be new financial and auditing

reporting requirements. Rockland is a “tier-two” community and will have through FY03 to complete this project. To date, the town has not begun planning its implementation.

RECOMMENDATION 3: IMPLEMENT GASB 34 STATEMENT

We recommend the accountant immediately begin gathering information concerning GASB Statement 34. The town needs to determine how and what will be collected, how the information will be tracked and if resources will be necessary to accomplish this project before the end of FY03. Although much of the required new procedures are accounting-related, other departments are typically involved in developing an inventory of fixed assets, which is a large part of the up-front preparation. The town administrator should also take part in this project, coordinating the departments involved, reporting on progress made, and identifying potential costs to complete the project. As resources, written materials and seminar opportunities are available from GASB, the Government Finance Officers Association (GFOA), and DLS.

ASSESSING OFFICE

An assistant assessor/appraiser and two full-time clerks staff the town assessing office. The assistant assessor has been employed in Rockland since 1994. The assistant assessor performs fieldwork, measuring and listing new and improved properties; maintains the town's assessment records on a computer assisted mass appraisal (CAMA) system; oversees the town's appraisal contractors; and compiles property tax commitments. The clerks maintain all records, process deed transfers, handle exemption and abatement applications, data-enter property and legal information on the CAMA system, handle the motor vehicle excise accounts and respond to public inquiries.

The assessing office is responsible for maintaining assessment data on approximately 6,030 real and personal property accounts, 18,600 motor vehicle excise accounts and 60 betterment accounts. In addition, the office processes approximately 35 abatements (100 in a recertification year), 200 exemptions, 500 building permits, 360 deed changes and 10 tax deferrals annually. The staff operate under the general supervision of an elected, part-time, three-member board of assessors.

Every three years, the town is required to update and recertify its property values to DLS. The town hires an appraisal consultant to perform this triennial recertification work. The appraisal consultant analyzes real estate sales, measures and lists new and improved real estate parcels, and updates and values the town's real property values and personal property accounts. The town generally appropriates roughly \$50,000 for this recertification work triennially. Because the majority of the town's property data had been collected before 1982, DLS' Bureau of Local Assessment (BLA) recommended that the town perform a full reinspection of every property. A full interior and exterior reinspection of all taxable properties was performed (1997-2000) for the FY00 recertification of values at a cost of about \$121,000.

FINDING 1: UPGRADE ASSESSING COMPUTER AND CAMA SYSTEM

The assessing office uses two computer systems. One is a DOS-based CAMA system, the PICK system, to manage its property database. There are three computer terminals connected to the PICK system server for staff use. The clerical staff are also connected to the Munis system for transferring property tax exemption⁶ and motor vehicle abatement information. Because of the different PICK and Munis operating system platforms, it requires that the clerks have a second personal computer on their desk. The Munis computers have Microsoft software products installed, enabling the clerical staff to use Word and Excel software applications to perform tasks and compile reports. The assistant assessor/appraiser does not have Microsoft office or any other word processing or spreadsheet capacity on his PICK terminal, thus requiring him to perform analysis or other tasks manually. This includes manually preparing reports for DLS, including new growth and taxable parcel count reports in non-recertification years. The town must rely on the appraisal consultant to produce these and other recertification reports for the town triennially.

The PICK system has limited fields for important data that should be collected, stored and used when developing uniform values. It also lacks desktop capabilities to prepare analysis, produce reports or

⁶ Property tax abatements are manually reported to the collector's office monthly.

to make changes in values easily, thus requiring a user to produce off-system analyses or spreadsheets and then data enter the results. Because of the design of this CAMA system, all work performed in a recertification year must be completed off-site by the appraisal consultant. As work is completed, it is sent to the assessing office for review and approval and final values are loaded into the on-site computer replacing the prior electronic records. Because of the limitations of the PICK system, the appraisal consultant had to perform extra work and analysis to generate the FY03 condominium values, complying with DLS' guidelines. Specifically, the PICK system does have data fields to store information that differentiates the various types of condominium structures (i.e., townhouse, converted multifamily or multi-unit complex) and their amenities (i.e., garages, decks and patios). While the appraisal consultant was able to collect information and generate acceptable values off system for the town to get final certification, the community must correct this condo valuation problem before the next recertification.

A CAMA system is an automated system for maintaining property data, valuing property and ensuring tax equity through uniform valuations. A CAMA system is dependent on property information, characteristics and other data collected, which is used in developing current and uniform values. A CAMA system also should have capacity to generate data or reports to facilitate analysis and provide documentation to update values easily. The town's appraisal consultant is aware of the shortcomings of the PICK system and has been advising communities using this system to acquire a fully functional CAMA system. The appraisal consultant has reportedly offered to provide Rockland with a new CAMA system—converting its current data onto the new system, inputting building sketches and installing digital photographs—at a cost of approximately \$50,000-\$70,000.

RECOMMENDATION 1: UPGRADE ASSESSING COMPUTER AND CAMA SYSTEM

We recommend that the town look into the cost-benefit of acquiring a new CAMA system with desktop capabilities to do data processing and analysis necessary to perform revaluation work and interim year adjustments to values. The town's appraisal consultant has provided one alternative, however the community should look at all systems available. In its review, the town should analyze hardware, software and conversion costs, the benefits of added features (i.e., sketches and photographs), ease of use and training costs, and the ability to transfer data to the Munis system.

Given the current financial position of the town, town officials may be reluctant to use scarce resources to fund such an expense. However, the assessors are responsible for maintaining data necessary to generate the full and fair cash value of all Rockland property, representing almost half of the town's operating revenues. The investment in a new CAMA system may give the assistant assessor the tools necessary to assume additional responsibilities such as revaluing residential properties in-house and could reduce the reliance and cost of using outside consultants in the future.

If the community chooses to install a new CAMA system, the assessors should begin planning for the process. A typical computer conversion (i.e., data transfer, testing, sketching, and installation of digital pictures) could take upwards of a few months to complete. In addition, the assistant assessor will need to collect data not currently included in the PICK system (e.g., condominium data). Once the new CAMA system is operational, the assistant assessor will have to enter the additional data collected and he will have to perform a full field review, complying with DLS' guidelines for

reassessment program. Once completed, the town will have a new CAMA system that will facilitate analysis, reporting and changes in values.

We recommend that the assessing office purchase a new computer with Microsoft office software applications for the assistant assessor/appraiser. With access to Microsoft office products, the assistant assessor may be able to prepare data analysis and produce DLS required reports, including the tax recapitulation sheet, electronically, saving valuable time.

FINDING 2: PERFORM ADDITIONAL INSPECTIONS

According to the assistant assessor/appraiser, he inspects properties for which a building permit has been issued in non-certification years⁷. According to the assistant assessor, he also inspects most sales. Since recent sales represent the most current data regarding the local real estate market, it is crucial that the assessing office have first-hand knowledge of the characteristics and condition of sale properties.

Based on the FY00 recertification results, BLA recommended that the town adopt a cyclical reinspection program. A cyclical re-inspection program involves completing an interior and exterior inspection of all town property over a specific time period, not exceeding nine years. This program would allow the town to maintain the most current property database, making sure all taxpayers are assessed fairly and minimizing the number of abatements granted. A cyclical program is also advantageous since it allows a community to spread a substantial workload and cost over a multi-year period. Data quality analyses can help identify data inspection and recollection priorities in the town's database.

RECOMMENDATION 2: PERFORM ADDITIONAL INSPECTIONS

We recommend that the assistant assessor/appraiser regularly inspect the interior and exterior of all sale properties. Often, a sale property may have been upgraded without a permit or allowed to deteriorate to an extent that the assessors' files are not accurate regarding the characteristics or condition of the property. Not being aware of the exact condition of sale properties negatively affects the assessors' ability to value other properties accurately.

We recommend that the town adopt a formal cyclical re-inspection program. A cyclical re-inspection program encompasses a complete interior and exterior inspection of all real property over a multi-year period. The primary benefit of this program is that it will provide the assessors with current, accurate data. Since three years have passed since the full measure and list was completed, the office should develop a plan that may be conducted in the next three to six years. Inspecting sale and improved parcels, reviewing real property abatement requests, and scheduling additional properties for inspection annually will enable the office to complete a full re-inspection timely. This program may be performed in-house with limited assistance from an appraisal consultant or fee appraiser. An annual appropriation of \$5-8,000 should be enough for this assistance. This is a better alternative than waiting and hiring a consultant at a cost of \$130-140,000 in six years.

⁷ In a recertification year, the building permit inspections are performed by the appraisal consultant because of the design of the current CAMA system.

FINDING 3: MAINTAIN CURRENT VALUES

All assessing offices are required to maintain full and fair cash values annually. Like some communities, Rockland adjusts its values only for recertification purposes every three years. Consequently, the real property of the town increased over 43 percent in the FY03 recertification, contributing to the average single family value increase from \$148,638 (2002) to \$221,474 (2003) or 49 percent. Because the growth in value occurred over three years but is captured in one, taxpayers are generally stunned by the increase and apply for abatements more often, adding to the normal workload of the assessing office. An increasing number of communities are discovering the cost of being slow to adjust their assessed values. In a declining market, this lack of flexibility has cost communities a considerable amount of property tax revenue when the assessors had to grant abatements. In other instances, failure to make interim year adjustments that reflect changes in the real estate market may cause inequities among property classes.

Making interim year adjustments has been characterized as performing a “mini-revaluation” because of the considerable sales data and income & expense statement analysis that is done. Initially, the analysis work may be time-consuming; however, the investment of time will lessen as the assistant assessor/appraiser becomes more familiar with the process. Beginning in FY05, all communities will be required to submit an interim year adjustment report⁸, showing the community has done the analysis to determine whether adjustments are warranted.

RECOMMENDATION 3: MAINTAIN CURRENT VALUES

We recommend that the assessing office analyze local real estate market conditions annually and make necessary changes in the assessed values of properties. By carefully monitoring changes in the market and promptly reflecting them in the annual valuation base, the assessing office may ensure equity between and among property classes and will comply with the BLA’s guidelines. In addition, maintaining current property data may have the direct benefit of reducing the number of abatements and/or increasing new growth.

⁸ See *Guidelines for Development of a Minimum Reassessment Program* booklet www.dls.state.ma.us/bla.htm.

TAX COLLECTOR'S OFFICE

The tax collector is elected. She has worked for the town 25 years and in her current capacity for over 14 years. Her staff includes an assistant collector and an administrative assistant. Both positions are full time (work 35 hours/week) and bonded. The collector's office prints bills⁹, prepares mailings, scans payments into the computer system, prepares municipal lien certificates, and issues demand notices when a bill becomes past due. The office is responsible for collecting approximately 6,000 property tax bills quarterly and 18,600 motor vehicle excise bills annually. These payments are received from escrow companies¹⁰, by mail, and over the counter.

The office also is responsible for collecting approximately 5,600 combined water, sewer and trash bills quarterly. The Abington/Rockland Joint Water Board office produces and mails these combined bills. The collector uses an Excel spreadsheet for her cashbook, turnover reports to the treasurer, and other miscellaneous receipts. Daily work is posted and reconciled, and collections are deposited to a treasurer's bank account each day. The collector prepares a biweekly turnover report for the treasurer and prepares a monthly reconciliation of receivables¹¹ report for the accountant.

In an effort to collect payments and/or reduce the town's receivables, Rockland uses statutory remedies and outside services when necessary. The town liens overdue sewer and trash charges on the property tax bill to ensure eventual collection, and the water department initiates a water shut-off process if any account is more than two quarters overdue. The collector uses the services of a deputy collector to pursue payments on behalf of the town. The deputy collector pursues outstanding motor vehicle excise, including marking the registration or license for non-renewal status at the Registry of Motor Vehicles, and personal property accounts. For delinquent real estate taxes, the collector uses a series of remedies. If the real estate tax remains unpaid after the fourth quarter due date, the office issues a demand notice. If the demand notice does not result in payment, subsequent taxes are added to existing tax title accounts immediately and new tax takings are initiated within a year. When initiating new tax title takings, the collector uses the services of her deputy collector.

FINDING 1: AUTHORITY OF THE TAX COLLECTOR'S OFFICE

The town has a tax collector. As such, the tax collector is authorized to collect only taxes and certain other charges (e.g., excise and betterments) committed for collection. Consequently, the collector should not collect water, sewer and trash fees unless the town adopts MGL Chapter 41, §38A.

⁹ The collector's office prints, stuffs and mails tax, motor vehicle excise, and demand bills. Before issuing the motor vehicle excise, the assessors review the Registry's information for errors, wrong addresses, and exempt vehicles electronically on the Munis system.

¹⁰ The collector estimates that about half of her real estate payments are made electronically by escrow companies.

¹¹ For real and personal property taxes and motor vehicle excise only.

RECOMMENDATION 1: AUTHORITY OF THE TAX COLLECTOR'S OFFICE

We recommend that the town accept the Chapter 41 §38A. Acceptance of this statute will change the office to a town collector and authorize the office to collect all accounts due the town. If the town changes its charter to combine the treasurer and collector offices, the adoption of this enabling act will not be necessary.

FINDING 2: ACCESS TO CURRENT WATER, SEWER AND TRASHING BILLING INFORMATION

Water, sewer and trash payments are received by the collector's office; however, some bills are paid at the department offices and turned over to the treasurer with other departmental receipts. Payments are made at the department offices generally under two circumstances. One is when there is a pending transfer of a property and the homeowner has requested a reading of the water meter to generate a final water and sewer bill. The other is when a customer tries to make a payment at the collector's office without a bill or statement. Because the collector's office has no on-line access of customer data or amounts due, the customer is directed to the appropriate department. While the collector accepts payments, issues receipts and deposits funds, she does not post payment to customer accounts. Instead, the collector sends the bills to the appropriate departments who make the postings. Having more than one department receiving utility payments is not an advisable practice. Without adequate separation of duties—one office committing the charges and the other collecting all the payments—the community loses an important check and balance that may compromise financial control.

RECOMMENDATION 2: ACCESS TO CURRENT WATER, SEWER AND TRASHING BILLING INFORMATION

We recommend that the collector's office be given electronic access to the water, sewer and trash databases for collection purposes. With electronic access to these databases, the collector may be able to readily call up account information and accept payments from walk-in traffic rather than turning them away as is the current practice. The collector's office also would be able to post all payments received to the appropriate customer's utility account, ensuring payments are posted when received rather than the current practice forwarding bills to departments. The water department appears receptive to this idea and is investigating the cost of implementing it.

TREASURER'S OFFICE

The treasurer is elected. She has worked for the town for 25 years and in her current position since 1981. Her staff includes an assistant treasurer and an administrative assistant. Both positions are full time (work 35 hours/week) and bonded. However, due to a serious illness, the administrative assistant has been on sick leave since September 2002, working sporadically as she is able. Consequently, the office has been operating with two staff for over five months and on occasion, due to vacation or illness, with only one staff member.

The treasurer's office is responsible for the payroll and cash management, including the investment, disbursement and borrowing of cash. She also administers retirement, health and life insurance benefits for town employees and retirees. A treasurer's receipts report is prepared for the accountant weekly. The treasurer provides a monthly report of cash and receivables for reconciliation purposes. The treasurer's staff makes daily deposits at the bank. The town is using an outside attorney to pursue foreclosure remedies on over 50 parcels.

The treasurer uses the Munis system to process her work (i.e., posting departmental receipts, tax title payments, and to print vendor checks). She uses ADP software to process the payroll. She uses Excel spreadsheet applications for her cashbook, to track tax deferral accounts, to account for her tax possessions, and to verify her tax title account balances. In addition, the treasurer uses spreadsheets for monthly revenue and expenditure tracking reports, for budget to actual employee benefit reports, and for reconciling bank statements.

FINDING 1: CREATE AND MAINTAIN A COMPREHENSIVE CASHBOOK

The cashbook is the source of original entry for recording receipts and deposits, disbursements summarized by warrant and the total cash position of the town. A cashbook provides control that enables the treasurer to reconcile with bank statements, cash on hand, and the general ledger balance on a monthly basis. Since many of the accounting records flow from this source document, the cashbook is legally considered a permanent record.

The treasurer processes daily deposits on the Munis system. The treasurer maintains separate spreadsheets for each bank account, reporting beginning balances, deposits, disbursements or transfers and the ending balances. She also uses these spreadsheets to reconcile to the monthly bank statements. After preparing her monthly bank reconciliations, she combines the ending bank balances on another spreadsheet and prepares her monthly cash reconciliation report. While these documents provide necessary backup documentation for a cashbook, they do not constitute a cashbook as required by state statute. In order to determine the town's cash position at any point in time, the treasurer has to prepare a tape on an adding machine using these documents.

RECOMMENDATION 1: CREATE AND MAINTAIN A COMPREHENSIVE CASHBOOK

We recommend that the treasurer create and maintain a comprehensive cashbook. Under state statute, the treasurer is required to maintain a cashbook that records deposits by account and date and disbursements summarized by warrant. At the end of each month, the treasurer should internally reconcile the cashbook balance against the bank statements, and externally reconcile the cashbook

balance against the accountant's general ledger. With a comprehensive cashbook, the town will be able to identify its cash position easily at any time.

FINDING 2: STANDARDIZE DEPARTMENTAL RECEIPTS REPORTS

Departments turnover all receipts with a detailed report, weekly or at least monthly. The collector and town clerk deposit receipts directly to the treasurer's bank account and provide a report at least biweekly. Departmental turnover reports vary in format and provide vague descriptions of the types of receipts reported. The treasurer reviews each turnover, verifies the revenue source, and deposits the funds.

RECOMMENDATION 2: STANDARDIZE DEPARTMENTAL RECEIPTS REPORTS

We recommend that the treasurer, in cooperation with the accountant, standardize the departmental turnover reports. For each department, a turnover sheet should be created in an Excel spreadsheet which clearly lists all the revenues handled by that department or board, including a brief description, operating fund and the revenue account codes. These reports will enable the treasurer and accountant to process the information quickly without having to inquire with a department or board as to the source of the funds.

FINDING 3: REVISE PAYROLL PROCEDURES

As previously discussed (see Computer Systems section), the treasurer processes payroll using an outside vendor, ADP. ADP produces the net salary checks for employees, provides payroll summary sheets for the town to prepare its payroll warrants, and pays tax withholdings for the town. Currently, the selectmen approve the gross payroll with attached documentation, authorizing the treasurer to issue individual net salary checks to employees. Tax withholdings and voluntary deductions are not processed through the payroll warrant. Tax withholdings and some deductions are processed on the vendor warrant accompanying the payroll while the remaining voluntary deductions are processed on the last vendor warrant each month. Despite being approved in the gross payroll warrant, tax withholdings and voluntary deductions are brought back into the town's records as revenue.

RECOMMENDATION 3: REVISE PAYROLL PROCEDURES

We recommend that the treasurer discontinue recording tax withholdings and voluntary deductions as cash receipts. This procedure requires unnecessary data entry by the treasurer and overstates cash receipts as well as expenses. Alternatively, the selectmen would approve a summary of gross salaries, tax withholdings, voluntary deductions and net salaries in the payroll warrant, with attached detail. This payroll warrant approval authorizes the treasurer to issue individual net salary checks to employees and to make the payments necessary to cover all tax withholdings and voluntary deductions without needless additional work. The treasurer may distribute the voluntary deduction payments weekly or, in the new Munis system, select a "no-check" option. Consequently, the weekly approved amounts would be held in the Munis system until such time that the treasurer decides to release the payment based a calculated or billed amount to the town.

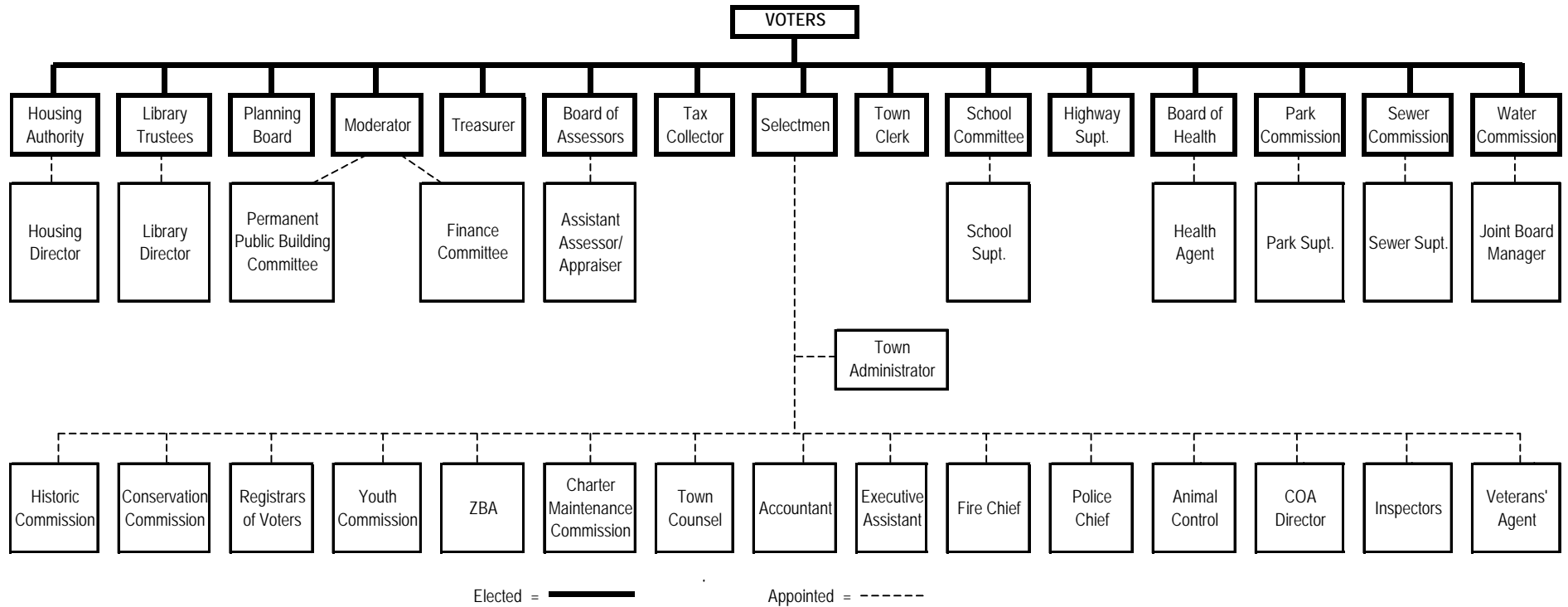
APPENDIX A: ROCKLAND'S AVAILABLE RESERVES

	Free Cash Balance (as of 7/1)	Stabilization Fund Balance (as of 6/30)
FY1993	\$ -383,779	n/a
FY1994	-179,268	n/a
FY1995	797,074	n/a
FY1996	891,667	n/a
FY1997	872,252	n/a
FY1998	-547,821	2,919
FY1999	n/a	2,919
FY2000	n/a	2,919
FY2001	n/a	2,919
FY2002	n/a	2,919
FY2003	827,219	2,919

APPENDIX B: BUDGET VS. ACTUAL LOCAL RECEIPTS

	1998 Budget	1998 Actual	1999 Budget	1999 Actual	2000 Budget	2000 Actual	2001 Budget	2001 Actual	2002 Budget	2002 Actual	2003 Budget
Motor Vehicle Excise	1,054,345	1,231,778	1,231,778	1,216,374	1,216,374	1,411,514	1,412,182	1,522,184	1,340,938	1,629,947	1,398,130
Other excise	216,179	248,490	248,490	279,697	279,697	273,233	273,233	286,472	272,000	253,752	177,600
Penalties & Interest	127,347	155,722	155,722	202,170	202,170	259,210	259,210	127,136	121,000	85,912	81,595
Payments in lieu	66,156	67,320	67,320	67,632	67,632	68,064	68,064	68,256	68,000	68,256	68,000
Water	1,565,268	1,605,839	1,605,839	1,592,937	1,592,937	1,676,408	1,534,169	1,830,192	1,541,161	1,829,657	1,632,414
Sewer	1,485,945	1,327,240	1,829,731	1,366,108	2,194,065	1,573,882	1,652,399	1,673,376	1,688,723	2,057,954	1,749,278
Trash	590,034	606,298	606,298	626,978	734,934	754,884	1,285,410	980,125	1,050,781	1,129,127	1,126,481
Other charges	122,932	118,573	118,573	192,680	231,183	222,988	485,000	480,957	427,500	429,477	427,500
Fees	51,166	53,492	53,492	87,821	87,821	87,488	87,488	77,592	73,700	105,657	86,175
Licenses & Permits	240,331	206,689	206,689	218,885	218,885	293,951	293,951	241,418	229,400	269,341	250,100
Fines & Forfeits	77,847	80,717	80,717	87,656	87,656	78,013	78,013	63,648	60,500	65,974	60,500
Investment Income	126,206	201,954	201,954	171,008	171,008	85,121	85,121	137,826	130,900	69,465	66,000
Misc. recurring	0	0	188,204	188,204	265,691	399,168	499,168	384,276	175,763	175,763	175,763
Total	5,723,758	5,904,112	6,594,807	6,298,150	7,350,053	7,183,924	8,013,408	7,873,458	7,180,366	8,170,282	7,299,536
Excess/(deficiency)		180,354		(296,657)		(166,129)		(139,950)		989,916	

APPENDIX C: TOWN OF ROCKLAND ORGANIZATIONAL CHART



ACKNOWLEDGEMENTS

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

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In preparing this review, DLS interviewed the following persons:

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John Llewellyn, Selectman
Mary Parsons, Selectman
John Ryan, Selectman
Louis Valanzola, Selectman
Bradley Plante, Town Administrator
John DeWald, Finance Committee
Roy Cameron, Finance Committee
John Franey, Accountant
Karen Sepeck, Treasurer
Jane Sforza, Assistant Treasurer
Paula McClure, Tax Collector
Lisa Clark, Assistant Tax Collector
Mary Stewart Collector's Administrative Assistant
Joseph Gibbons, Assistant Assessor/Appraiser
Helen Murphy, Assessor's Clerk
Winnifred Miller, Assessor's Clerk
Mark Norris, Charter Maintenance Committee
Kevin Pratt, Charter Maintenance Committee
Mary Pat Kaszanek, Town Clerk
Daniel Callahan, Manager, Abington & Rockland Joint Water Works
Joanne Hall, Administrative Assistant, Abington & Rockland Joint Water Works
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