

TOWN OF ROWE

FINANCIAL MANAGEMENT REVIEW UPDATE

MAY 2016



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DIVISION OF LOCAL SERVICES
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Mark E. Nunnelly
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

May 4, 2016

Board of Selectmen
Town of Rowe
321 Zoar Road
Rowe, MA 01367

Dear Board Members,

This report is an update to our 2007 Financial Management Review for the Town of Rowe. It is our hope that the information presented here will further assist town officials as they seek to address areas of concern and improve department operations. I would also like to thank Matt Andre from the Bureau of Accounts for leading the update project.

If you have any questions regarding this report, please feel free to contact Zack Blake, Chief of the Division's Technical Assistance Bureau, at 617-626-2376 or at blakez@dor.state.ma.us.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commission

INTRODUCTION

At the request of the board of selectmen, the Division of Local Services assessed local officials' progress in implementing the recommendations contained in its 2007 financial management report completed for the Town of Rowe. As part of this update, we conducted a field visit and interviewed the board of selectmen, town accountant, town clerk/assessors' clerk, and town administrative clerk. We also reviewed various documents, including the town's most recent audit report and management letter, job descriptions, bylaws, reconciliation reports, balance sheet, tax recapitulation sheet, and other financial records.

The 2007 financial management review focused on the following areas:

1. Government structure in the context of the duties and responsibilities of financial officers
2. Budget, warrant, and capital planning processes
3. Degree of coordination and communication existing between and among boards, officials, and staff involved in financial management
4. General efficiency of financial operations measured by the ability to maximize resources and minimize costs

We are pleased to say the town has made progress on or completed all the recommendations made in 2007. In the following pages, we discuss the town's achievements by providing an overall progress scorecard that rates each recommendation on its level of importance and degree of completion and notes the actions taken and still needed, if any. In doing so, we acknowledge the tremendous effort of the select board members, who began implementing these changes in 2012.

REVIEW OF RECOMMENDATIONS

1. Explore Alternatives to the Current Accounting Function

Importance: *High*

Implementation: *Complete*

Action Taken: In 2013, Rowe contracted with the Franklin Regional Council of Governments (FRCOG) fee-for-service Town Accounting Program and had a succession of three accountants work for them through March 2015. The town then decided to hire its own town accountant, who works on average 10-12 hours per week, depending on the time of year. Also, the town no longer uses City and Town software for its general ledger and payroll accounting, instead using Muniware and Harpers Payroll Services, Inc., respectively. After reviewing various reports and talking with town officials, we feel Rowe has made a vast improvement to fulfill this recommendation.

2. Restrict Access to Financial System Modules

Importance: *High*

Implementation: *Complete*

Action Taken: Since June 2013, the town has contracted with Northeast IT Systems, Inc. (NEITS) to manage its information technology. NEITS handles all licensing and helped Rowe to purchase a new server and computers. The company also reconfigured the town hall network to restrict access, and permissions of user profiles in Muniware have been set so that town officials can only access the financial records pertaining to their own department. There is consensus that the town hall computer systems are in a good state and much more secure.

3. Reduce Reliance on the Auditor for Accounting Services

Importance: *High*

Implementation: *Complete*

Action Taken: In 2007, we reported that the town had been relying on its outside auditor, who also worked for the City and Town software company, to do much of the year-end closings. Both factors raised questions about that individual's ability to independently review Rowe's financial statements. Presently, Rowe's town accountant is responsible for daily bookkeeping in Muniware and for closing the books at fiscal year-end. We therefore consider this recommendation to be complete.

Future Action: We recommend that Rowe engage an independent auditor to audits its financial statements. The town has not had an independent audit completed since 2012. Audits provide assurance of the quality of a town’s financial health by providing an outside view on the accuracy and reliability of financial statements. The management letter that accompanies the financial statements is also particularly useful to identify and correct systematic weaknesses.

We understand that an audit engagement is an additional expense for a town and not required by law. Absent an annual audit, the town should seek to perform an audit a least every two to three years, with a review of agreed upon procedures completed in off years.

4. Reallocate Financial Responsibilities

Importance: *High*

Implementation: *Partially Complete*

Action Taken: The town created some new positions, reassigned responsibilities among personnel, and has moved toward greater compliance with state laws and sound financial practices. By doing so, the town has eliminated identified shortcomings and strengthened checks and balances. As an example, the town accounting position is no longer combined with the town coordinator position. The town also elected to convert the town coordinator position to a standalone administrative clerk to the board of selectmen.

Future Action: The remaining area of concern is having the same individual hold a dual assessor’s clerk and tax collector position. State law prohibits the same person serving simultaneously in these roles. Rowe’s tax collector should not also work for the board of assessors because there should be separation between those who commit taxes and those who collect them. The select board should also consider delegating certain responsibilities back to the administrative clerk, which were absorbed when the position converted from a town coordinator, to build professional capacity.

5. Conduct Timely Reconciliations

Importance: *High*

Implementation: *Complete/Ongoing*

Action Taken: In addition to being noted in our 2007 report, reconciliation timeliness was cited by the town’s outside auditor in multiple reports. However, this issue appears to be rectified. Local officials provided us with reports showing reconciliations of cash and receivables for the

most recent six months. From these, we could see that reconciliations are being completed on a timely and monthly basis. Additionally, after each month is reconciled, the accountant submits reports to the board of selectmen, finance committee, and administrative clerk.

6. Convert the Treasurer and Tax Collector from Elected to Appointed Positions

Importance: *Medium*

Implementation: *Partially Complete*

Action Taken: In March 2014, the town voted to change the elected treasurer to appointed.

Future Action: Rowe's tax collector is currently elected. Should she resign or not pursue reelection, there is no guarantee that individuals possessing the necessary knowledge and capabilities will, in the end, seek and win election. We continue to recommend that Rowe convert to an appointed Tax Collector.

7. Alter Billing Cycle to Enhance Cash Flow

Importance: *Low*

Implementation: *Incomplete*

Action Taken: Rowe continues to bill property taxes semiannually and often misses the DLS-recommended September 30th date for the first mailing. Delayed billings result in delayed collections, which are necessary to fund government operations. The negative impact on cash flow is mitigated to a degree by the state's switch to monthly local aid payments beginning in 2013 and by the treasurer's ability to borrow funds internally from the stabilization fund.

8. Encourage Staff Participation in Training and Professional Organizations

Importance: *Low*

Implementation: *Complete/Ongoing*

Action Taken: Town staff have participated in trainings offered by DLS and other professional associations, including the Municipal Finance Law Seminar, FRCOG presentations, and the Massachusetts Municipal Auditors' and Accountants' Association school at UMass. We encourage all employees to continue attending these trainings to promote growth and keep up with new ideas and approaches in municipal government.