

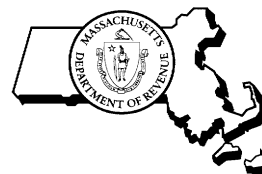


Town of Sheffield

Review of the Treasurer/Collector's Office

Division of Local Services / Technical Assistance Section

January 2015



January 12, 2015

Board of Selectmen
Town Hall
21 Depot Square
Sheffield, MA 01257

Dear Board Members,

It is with pleasure that I transmit to you the enclosed "Review of the Treasurer/Collector's Office." It is our hope that the information presented will assist the Town of Sheffield as it evaluates department operations.

As a routine practice, we will post the report on the DLS website, www.mass.gov/dls, and forward a copy to the town's state senator and representative.

If you have any questions regarding the report, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

Joseph J. McDermott
Interim Deputy Commissioner
& Director of Municipal Affairs

cc: Senator Benjamin B. Downing
Representative William Pignatelli

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Introduction

At the request of the board of selectmen, the Division of Local Services (DLS) reviewed the treasurer/collector's office for the Town of Sheffield. This report's primary purpose is to provide guidance on strengthening the department's administrative operations within the context of the town's overall financial management.

To complete this analysis, we interviewed members of the board of selectmen and finance committee, as well as the town administrator, treasurer/collector, assistant treasurer/collector, principal assessor, and town accountant. We also reviewed town bylaws as they relate to government structure and finance, staff job descriptions, and other assorted budget and financial documents.

The DLS project team was led by members of the Technical Assistance Section, who worked in conjunction with representatives from the Bureau of Accounts and Bureau of Local Assessment.

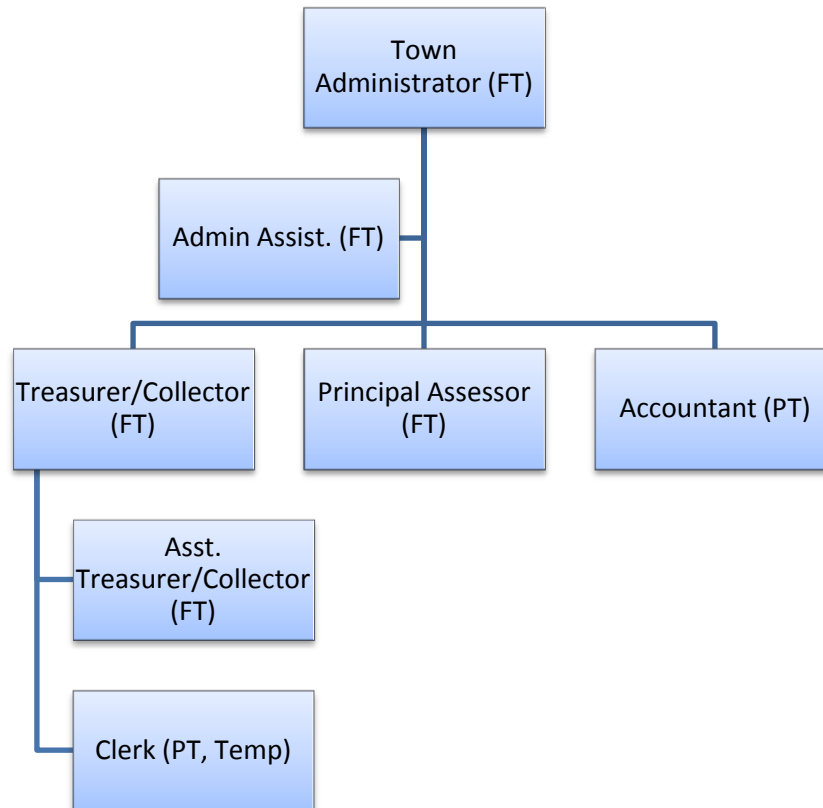
Overview

The Town of Sheffield is a small, rural community of about 3,230 residents located in the Southern Berkshires. The town is composed of two main districts: Sheffield center (where Town Hall is located) and the Ashley Falls historic district to the south along Route 7. The town is bordered to the north by the Town of Great Barrington (pop. 7,000) and to the south by the State of Connecticut. Sheffield has a strong farming tradition and a character similar to other small towns in the region. Increasingly in the past ten years, Sheffield has become a destination for seasonal homeowners.

The town provides a wide array of general government services, including police, volunteer firefighting, and highway. Public education is provided through the Southern Berkshire Regional School District, which includes five area communities. For FY2015, Sheffield's general fund budget is \$9,853,618. The town's assessment to the regional school district represents 67 percent of the total budget. Overall, the town is in a relatively stable financial condition, maintaining a solid base of reserves and typically generating healthy amounts of free cash. For an overview of Sheffield's finances, please see Appendix A.

The town's current Open Town Meeting—Board of Selectmen form of government was established by a Special Act in 1989. The three-member board of selectmen appoints the full-time town

administrator who oversees Sheffield's municipal departments, including the financial offices of the treasurer/collector, assessor, and town accountant. The treasurer/collector's office is staffed by the treasurer/collector, along with an assistant treasurer/collector and a part-time, 19-hour-per-week temporary clerk whose tenure expired December 31st, 2014. An organizational chart depicting the town's financial management structure is below.



Sheffield's treasurer/collector performs a majority of the department's essential functions. These duties include maintaining custody of the town's bank accounts and trust funds, ensuring day-to-day liquidity by maintaining a cash book, processing payroll and vendor warrants, receiving departmental turnovers, and generating summaries of receipts data for the town accountant. He also handles benefits administration, keeps track of employee leave time, pursues delinquent taxpayers, and produces most town financial reports.

The assistant treasurer/collector fulfills most of the department's collector-related duties. To prepare tax and motor vehicle excise bills, she uses the Community Software Consortium's (CSC) Tax Administration package. Once per quarter, a CSC advisor travels to Sheffield to generate real estate and personal property tax bills from the software. The assistant treasurer/collector then

stuffs and mails bills, and processes payments received. Most residents pay through the mail, with some paying at the counter. Only a small percentage uses the town's UniPay online bill-paying service. As bills arrive, the assistant treasurer/collector separates them by type and physically matches them to the included checks and prepares a deposit, which generally occurs twice a week. Once the deposit is made, she records the date of receipt, the amount, and date of deposit in a manual ledger. She then posts the information to the software and produces the collector's turnover sheet, which she gives to the treasurer/collector. She reconciles receivables monthly with the town accountant.

The temporary clerk performs general accounting and day-to-day clerical work in assisting the treasurer/collector, performs routine cash reconciliations against bank statements, and provides routine customer service to the public, vendors and departmental personnel. She also assists in the preparation of tax bills and payments, helps the treasurer/collector with tailings when time permits, as well as other duties as assigned.

Prior to 2013, the clerk was a permanent, full-time position. Under the previous town administrator, the clerk had factored into succession-planning for the department and was being cross-trained in anticipation of the assistant treasurer/collector's eventual retirement. However, that clerk resigned in 2013, and the board of selectmen took it as an opportunity to review the staffing situation in the treasurer/collector's office. They concluded that the treasurer/collector and assistant treasurer/collector could manage by themselves—an opinion that was not shared by the treasurer/collector.

Later that year, the board of selectmen engaged the services of the Collins Center to provide a general assessment of the office and to determine whether two full-time staff was adequate. Completed in July 2013, the Collins Center recommended that the town not fill the then vacant part-time clerk position. Once again, the treasurer/collector disagreed with this assessment and petitioned the board of selectmen to retain the position. The board decided a temporary, part-time clerk (the current incumbent) would be sufficient to bridge the office during its transition to a two full-time staff member configuration.

Based on our observations, it is clear that the clerk's position is a point of frustration for both the board of selectmen and the treasurer/collector. The selectmen have made implementing the Collins Center recommendations a priority, while the treasurer/collector is concerned about office turnover and balancing workloads. The treasurer/collector relies on the clerk and has cross-trained her to provide coverage in case of absences and for the assistant treasurer/collector's eventual retirement. In a recent letter to the board of selectmen, the treasurer/collector contends that some

of the changes requested by the board that would facilitate a staff reduction—in particular the use of an electronic lockbox and remote deposit scanner—have not yet been implemented because of a lack of functionality in the town’s accounting software. Additionally, the treasurer/collector is awaiting the installation of upgrades to the Community Software Consortium software, which is expected to take effect after the current tax rate-setting season. After those upgrades are live, he intends to reevaluate these efficiency capabilities.

There is a general consensus among other town departments that succession planning is a concern in the treasurer/collector’s office. The temporary clerk’s position has expired, the assistant treasurer/collector is expected to retire, and there is no one currently capable of assuming the duties of the treasurer/collector. For a small, rural community this is problematic. It should also be noted that there are no formal job descriptions or list of duties available for the staff in the treasurer/collector’s office. While small, close-knit departments are often able to find their own equilibrium over time, the lack of formalized job descriptions and clear delineation of duties makes it difficult to effectively delegate and plan for the future.

A comparison of staffing levels and responsibilities between Sheffield’s treasurer/collector and other peer communities can be found in Appendix B.

Other Operating Issues – Separate from these staffing-related issues, it is apparent that there is a lack of separation between the treasurer/collector and town accountant, who until just recently shared the same workspace and computer. These issues were brought up in the Collins Center report and in the town’s 2012 outside audit. Although the town administrator has since moved the town accountant to a separate workspace in her office, the situation has highlighted several internal control deficiencies.

As it stands today, the town accountant is a part-time employee who works a very limited 5-10 hour-per-week schedule. He arrives on Fridays to generate and sign off on the payroll and vendor warrants and post any receipts. In the case of payroll, the numbers he reviews come from a summary printed out for him by the treasurer/collector, not from his independent record-keeping based on a copy of departmental time sheets. Similarly, departmental turnovers are submitted directly to the treasurer/collector, who creates a summary sheet for the town accountant. The town accountant then reviews the treasurer/collector’s receipts summary, and uses it as his source document to post receipts to the accounting software. Since the town accountant does not receive a separate copy of the turnover sheet, he is unable to conduct a sufficiently thorough, independent review.

Given the town accountant’s limited schedule, he also does not have a chance to conduct a thorough and independent review of payroll source documentation. Furthermore, the check on the treasurer/collector that should be performed by the town accountant is significantly weakened if he does not, in fact, generate the warrant and relies on the treasurer/collector for financial record-keeping. Additionally, the town accountant has a duty to examine the requested expenditures of all departments and verify that they are appropriate and within the department’s appropriation, and to disallow or refuse to pay any that he/she determines are fraudulent, excessive, or unlawful. The town accountant is not currently able to fulfill this duty. However, under [M.G.L. Chapter 41, Section 56](#), this process must take place before the accountant generates the warrant, which should only then be transmitted to the treasurer/collector to release payments.

Another cause for concern is the treasurer/collector’s lack of attentiveness in pursuing delinquent taxes. Sheffield’s outstanding prior-year real estate and personal property receivables date from FY2014 to 1990, although most are from the past three fiscal years. According to the assistant treasurer/collector’s receivable control sheet for FY2015, the total dollar amount of prior year uncollected taxes is \$537,906, or 6.6 percent of the FY2014 tax levy. When uncollected taxes are greater than five percent of the tax levy (net of overlay) it may be a consequence of inadequate tax collection procedures or inattentive financial management.

Uncollected Taxes as a % of Net Property Tax

FY2014		
Tax Levy	\$	8,331,981
Overlay	\$	(153,682)
Levy Net of Overlay	\$	8,178,299
Total Uncollected	\$	537,906
% Uncollected		6.6%

Lastly, the town should give considerable thought to its use of Information Technology. Specifically, there is the potential to realize some efficiency if the treasurer/collector’s office moves to an electronic lockbox service and increases usage of its online payment services. However, there are some implementation issues related to merging the data with the town’s accounting software. Also, there is no central focus related to IT policy and procedures, because the town has no IT department. Instead, departments evaluate their own needs on an ad hoc basis. Technology is an increasingly vital part of local government operations, which means that a centralized, comprehensive approach to Information Technology is required for effective administration.

Primary Recommendations

1. Develop Transition Plan for the Treasurer/Collector's Office

The treasurer/collector's temporary, part-time clerk was scheduled to be eliminated as of December 31st, 2014 in an effort by the board of selectmen to streamline operations and reduce costs. Based on our observations, and given the other challenges facing the office, this will create an unnecessary risk of disruption to office operation.

Ultimately, we agree that the treasurer/collector's office can be staffed adequately with two full-time employees. However, retaining the part-time clerk position in the short term—and as part of a structured transition plan—represents an opportunity to make that transition as orderly as possible. The incumbent is already familiar with office operations and many of the duties of the assistant treasurer/collector and has expressed a strong interest in retaining her position. We would support a limited transition period of cross-training to ready the clerk for assuming the assistant treasurer/collector's duties. Terminating the clerk without a definite plan has put the department at a disadvantage in preparing for the assistant treasurer/collector's retirement, as it will now have to invest considerable time and money in searching for a replacement and sufficiently training that individual.

For his part, the treasurer/collector must be an active participant in the transition process. He and the administrator should agree on a set of scheduled milestones that would determine the clerk's readiness to assume the position and to prevent cross-training from continuing indefinitely. Additionally, the two should work together to develop a timetable for transitioning the payroll warrant process to the town accountant (as outlined below) and for overcoming technical barriers preventing the adoption of an electronic lockbox or fully utilizing electronic payment methods. Moreover, the treasurer/collector and administrator should pursue other improvements that may reduce staff hours, such as outsourcing bill printing and mailings and engaging the services of a deputy collector.

Once a timetable has been agreed upon, the town administrator should work with the treasurer/collector to develop formalized job descriptions for all office personnel. We would expect this to be a bottom-up exercise where staff create their own job descriptions by listing what they actually do and are responsible for based on a distributed template or outline. Staff would present their work product to the treasurer/collector who would then review descriptions with the town administrator. The revised job descriptions should then be reviewed by affected personnel.

This process should confirm and document what employees actually do and should account for all legal responsibilities. A set of core office responsibilities for the treasurer/collector can be found on our website, www.mass.gov/dls, under *Municipal Data Management and Technical Assistance Bureau > Technical Assistance Services > Job Responsibilities and Manuals*.

Once detailed job descriptions are developed, the town administrator and treasurer/collector can work to determine what additional training requirements exist to prepare a candidate for the assistant treasurer/collector's position. The town should consider making use of training workshops and/or the four-day annual school provided by the Massachusetts Collectors and Treasurers Association (MCTA). Should the board revise its decision on retaining the clerk (a position we would support), sending her to the MCTA annual school would make her an even stronger choice for assuming the assistant treasurer/collector's responsibilities.

Lastly, various internal control issues should be resolved and operational efficiencies evaluated to strengthen the department's overall financial management practices. Our remaining recommendations address these points.

2. Strengthen the Role of the Town Accountant

We recommend increasing the town accountant's office hours in order to redistribute certain responsibilities away from the treasurer/collector and to resolve internal control weaknesses. Even for a small, rural community like Sheffield, the town accountant has a limited presence. As a result, he is unable to complete a number of the responsibilities normally associated with his office (see Appendix B for a list of town accountant duties). While the town should ultimately determine the hours necessary based on workload, we recommend revising the following processes:

Payroll Process – We recommend that the town move payroll warrant processing to the town accountant. For payroll, departments collect timesheets from their employees, attach a printed cover letter, and send the package to the treasurer/collector. The treasurer/collector then personally processes each payroll, entering the data into the town's Lawrence Braverman accounting software.

Instead, department heads should submit timesheets directly to the town accountant. The town accountant should then conduct an independent review of the documentation, sending it back to department heads with notation if irregularities are discovered. The town accountant should then data-enter the information in the accounting software, generate the warrant and sign it. Once the

Board signs the warrant the following Monday, it can be forwarded to the treasurer/collector to issue checks. Please see Appendix D for a flowchart representing this process.

Turnovers – Departments should provide a duplicate copy of all turnover sheets to the town accountant and the treasurer/collector. We recommend the following procedure for processing turnovers:

- All departments should complete numbered receipts whenever cash is received, and should retain a copy of the receipt with payments.
- Departments should maintain a detailed log of all receipts, noting who paid, the payment date, form of payment (check or cash), and the purpose.
- All money should be stored in a locked box. If money is retained overnight, it should be kept in a locked drawer or safe.
- Departments should deliver turnovers to the treasurer/collector when receipts total \$100 or more. Otherwise, turnovers should occur at least weekly.
- Departments must prepare turnover sheets in triplicate and must deliver turnovers to the treasurer/collector.
- After the counted turnover receipts have been accepted by the treasurer/collector, the department representative and the treasurer/collector should each sign and retain a copy of the turnover document.
- The department representative should deliver the third turnover copy to the town accountant.

As a check and balance, the town accountant should reconcile turnover sheets to the treasurer/collector's summary of receipts. Due to the part-time nature of some departments, the town accountant may need to designate a secure location for the submittal of turnover sheets. There are secure mailboxes (i.e. they require a key to open) in town hall that can serve this purpose. Please see Appendix E for a flowchart illustrating the recommended turnover process.

Collector's Turnover – We recommend that the town accountant receive an original copy of the assistant treasurer/collector's turnover sheet as tax receipts are turned over to the treasurer/collector. Currently, the town accountant does not receive copies of the turnover information and thus lacks an independent source of information to reconcile against the treasurer/collector's receipts summary. This will make it possible for the town accountant to independently verify and keep track of all town receipts, rather than posting revenues directly from the treasurer/collector's prepared information (the receipts summary).

3. Pursue Uncollected Taxes

We recommend that the treasurer/collector take the necessary steps to move outstanding receivables into tax title and to stay current with subsequent additional taxes due. The tax title process is intended to protect the interest of the town and its ability to pursue payments by securing liens on delinquent taxpayer property. Once in tax title, the treasurer/collector should take appropriate action on properties eligible for foreclosure. As of last year, Sheffield had \$537,906 in uncollected taxes. When uncollected taxes are greater than five percent of the tax levy (net overlay) it may be the consequence of inadequate tax collection procedures or inattentive financial management.

At the same time, we recommend the treasurer/collector formulate a plan to reduce the number of properties in tax title. As of the end of FY2014, Sheffield's 48 tax title properties collectively owe \$414,725, which is an increase from \$377,832 at the start of the fiscal year. To reduce this figure, we suggest the treasurer/collector use a spreadsheet to organize tax titles into groups and then move them through the process by taking the appropriate actions listed below.

- Fast-track land of low value properties toward auction outside of Land Court proceedings. To qualify, a vacant or improved tax title property must have a current assessed value less than \$20,580 for calendar year 2014.
- Consolidate multiple parcels under single ownership to address them together, either in Land Court or during negotiations for partial payment agreements.
- Investigate properties with bad addresses and/or deceased owners to try to identify and contact the legal owners or persons in possession. For owners that cannot be found, either assess taxes to persons unknown or petition the Commissioner of Revenue under [M.G.L. Ch. 59, Section 11](#) for the authority to assess taxes to the person in possession.
- Review existing payment agreements to verify if they are being paid in sufficient amounts to discharge the outstanding tax balances within reasonable time. If not, restructure or void the agreements and initiate foreclosure proceedings.
- Obtain outside legal assistance for the remaining properties through the request for proposal process.

To reduce tax title accounts and collect any portion of the outstanding taxes owed, the town will require commitments not only from the treasurer/collector but also from the board of selectmen and town meeting. A well thought out plan of action, supported by an infusion of resources, can

help maximize collections and convince current and potential delinquent taxpayers that the town is serious about collecting taxes.

4. Implement a Bi-Weekly Payroll System

We recommend that the town move all employees to a biweekly payroll system. This will reduce workloads in the treasurer/collector's and town accountant's offices, freeing time for the completion of other important tasks such as pursuing tailings and moving delinquent properties through the tax title process. The town would also realize a modest cost-savings benefit as the number of checks printed annually would be reduced.

We recognize that the treasurer/collector is already working toward this goal, and understand that this change must be bargained with the Highway and Police unions. However, all non-represented employees (it is our understanding that Library employees have already transitioned) should be moved to a bi-weekly pay schedule as soon as feasible, and the town administrator should formulate a timetable for implementation.

5. Consider a More Integrated Cashbook Format

We recommend that the treasurer/collector consider using a cashbook format similar to the sample included in Appendix F and available on the Technical Assistance website, under *Technical Assistance Services > Financial Calculators and Sample Forms*. The treasurer/collector's existing cashbook is an Excel spreadsheet divided into three sections: a list of receipts, a warrant summary, and a list of bank balances as of the end of the month. The list of receipts shows the date and the source and type of receipt, but does not have separate columns showing how deposits affect the daily balance of the town's accounts. The warrant summary shows the dates and warrant numbers, differentiates between payroll and vendor warrants, but does not show the transfer to and disbursement from the town's payroll and vendor accounts. The summary ends with the total beginning balance across all accounts, adds total receipts, and subtracts disbursements for warrants to arrive at an ending balance. This ending balance then reconciles to the sum of bank accounts as of month's end, but provides no day-to-day detail for account activity.

The cashbook should provide a general record of receipts as reflected by departmental turnovers and other funds delivered directly to the treasurer/collector, and should record disbursements related to payroll and vendor warrants. We recommend a format where all of this information, plus some additional detail, is integrated together. The cashbook should describe the flow of cash across the town's accounts, and serves as a snapshot of financial activity. There should be a separate

column for the date of a transaction, one for warrant/batch/turnover info, a column for amount of receipts and disbursements, a separate column showing the date and amount of deposits, as well as columns for each of the town's bank accounts. The flow of cash should be evident based on the debits and credits into and out of each account, with the date and time of every transaction recorded. At the top of the sheet, a running summary of debits and credits should be kept in order to present the current cash position of every account. Referencing the cashbook, the Treasurer should be able to provide the cash position of the entire community at any given time.

6. Post Payments Daily

We recommend moving to a more regular posting process for bills paid to the treasurer/collector's office. Currently, staff posts payments twice a week, depending on volume and dollar amount. When the employee receives a payment over the counter, staff put it in an envelope (the assistant treasurer/collector and the clerk have their own envelopes) and record the amount, date and time in a physical ledger. Payments stay there until they are posted and deposited.

We recommend that staff enter receipts into the treasurer/collector's cashbook from the physical ledger each day, and from there post it to the accounting software and reconcile against receivables. By posting receipts daily, revenue information is kept as up-to-date as possible in the town's accounting software, which makes revenue monitoring more accurate.

7. Develop a Process for Evaluating Technology Needs

We recommend that the board of selectmen establish a technology committee to evaluate and address current and long-term Information Technology needs. The committee should consist of interested and knowledgeable members of the public and senior management. Once established, we recommend that they examine the following:

Dated Accounting Software – The town's current accounting software (Lawrence Braverman) is very dated and lacks some modern functionality. While most database programs are Microsoft SQL based, this is based on an older Microsoft Visual Fox Pro database language, which may present problems in the future in terms of third-party support and interoperability. According to the treasurer/collector, the software also seems to be incapable of accepting an upload file from an electronic lockbox service. Additionally, the current software is limited in its ability to produce ready-made, "canned" reports. This has undermined effective and timely financial reporting, making the budget monitoring and development process more difficult. Finally, the software is supported by a two-person operation, the principals of which entered the field in 1978. This

represents a liability in terms of available user support for the software in the future, which is problematic since it performs the town's central financial recordkeeping function.

Use of Electronic Payment Systems – The treasurer/collector currently uses UniPay to provide an electronic payment option for tax bills. However, usage is not very widespread among residents (estimated at less than 10% of all bills) and integration with the town's accounting system has proven difficult. Currently, UniPay accepts payments from users but the functionality to match payees and amounts paid to a list of bills receivable has not been implemented. However, the town uses the Community Software Consortium (CSC) Tax Administration's package to generate its bills, and the CSC's website has specific instructions for generating a Unibank Export file. More information can be found by navigating to csc-cloud.us/cloud and clicking on *Members > Collector Resources*. If the treasurer/collector or assistant treasurer/collector is encountering significant technical problems in addition to this, they should reach out to the CSC for assistance. Once this problem is solved, the town should advertise the availability of the online system to further reduce town hall traffic.

Lack of On-Site User Support – The town currently engages the services of Phoenix Enterprises out of Whately, MA—which is over an hour away—for its routine IT needs. The technology committee should evaluate whether this provides an adequate level of support. In doing so, the group should consider the lag time between the problem occurring, the call being put in to the consultant, and that individual's arrival on-site. The technology committee may want to use that determination as a basis for evaluating whether granting remote access or hiring a part-time, on-site Systems Administrator should be part of its Information Technology goals.

8. Establish a Financial Management Team

We recommend that the town administrator designate the town accountant, treasurer/collector, and principal assessor to a town financial management team. This body should meet regularly—no less than once a month—and discuss the financial status of the town as it relates to each of their departments, and in general. This approach facilitates information sharing between departments and makes it possible to anticipate and avert potential financial issues as a team. Other topics of discussion would include progress on projects like submissions to DOR or other financial analyses, inter-office cooperation, technology issues, anticipated fiscal events and general problem solving.

As this team develops, it could be tasked with developing annual and long-range revenue and expenditure forecasts for the town, and assuring the town's fiscal management stays in line with its long-term policy goals. Currently there is little in the way of financial coordination or long-term

financial policy, and this body could represent the first step down that path. Additionally, it might draft a set of formalized budgeting procedures and recommendations to ultimately be approved by the board of selectmen and finance committee with the goal of formalizing the budget process.

As part of this team approach, all financial managers should be granted read access to the town's accounting system and, at the very least, the ability to query financial data and print reports independent of any other user. The financial management team should agree on a hierarchy of functions and assign permissions to financial managers according to their duties.

Other Considerations

Sheffield's financial condition is relatively stable. Nevertheless, there is no comprehensive, long-term approach to fiscal policy. For instance, Sheffield's stabilization fund balance is slowly declining relative to its total operating budget (see Appendix A). If Sheffield drafted a policy to keep track of this data and set a target percentage, it would be able to spot trends and better determine if and when to take action. Financial policies are important because they help to establish the general financial condition that policy leaders (and by extension the residents) expect the town administration to maintain. In this way they serve as guideposts for financial decision-making for present and future town staff, providing a measure of predictability.

Additionally, the town administrator receives little to no annual guidance from the town's main policy bodies (the board of selectmen and the finance committee) during the budget process. Likewise, Sheffield's approach to capital projects is not subject to a deliberative planning process. Sheffield would benefit from adopting formalized capital planning policies that, at the very least, set a threshold for what defines a capital project. For instance, included in the town's five year capital plan are expenditures for Property Revaluation (listed as "Tax Recertification") and Tax Title. Typically, these are operating expenses that involve staff hours or consultant work, and are not the types of long-term, large purchases that are usually part of a capital plan. Additionally, while there is a general disposition of the Finance Committee to pay cash for capital purchases whenever possible, this should be formalized as one of a set of policies that frames the capital planning process. There is also no forum for stakeholders to discuss long-term planning and set capital priorities for the town.

Most of Sheffield's medium to near-term capital requirements are replacements for fire or highway vehicles. To this end the town maintains two specialized stabilization funds for each vehicle type, respectively. The town then sets a target balance which represents the purchase price of the new

vehicle. There is usually an annual appropriation into these funds that is roughly dependent on the available free cash. Equipment or vehicle purchases are then paid for in cash when the target balance is reached. While this is a prudent approach to take for preparing for cash purchases, it is also reflective of a lack of comprehensive planning. Rather than fracturing the approach and “saving up” for each individual purchase, the town may be better served by consolidating the existing funds into one and expanding its scope to include all heavy equipment and vehicle purchases.

In terms of the operating budget, there is a pointed lack of collaboration between the board of selectmen and the finance committee. In fact there is no official, codified role for the board in the budget planning process. The town administrator creates the budget and submits it directly to the finance committee without the board’s input. This is because the only guidance the town bylaws offer on the budget is that it must be developed by the town administrator and submitted to the finance committee. The lack of a positive statement including the selectmen in the budget process has historically meant that they have little to no part in it. Thus the board is essentially left in the dark until the town administrator’s presentation to the finance committee. The prevailing view in the finance committee is to be as hands-off as possible, which translates to a limited review process and no formal budget goals.

Sheffield should also monitor local receipts more carefully. Since municipalities are allowed to regard current year’s net real and personal property taxes as 100 percent collectible, a careful monitoring of local receipts is vital to avoid a revenue deficit. Sheffield’s approach on this matter has been to instead purposefully underestimate local receipts by a wide margin—an approach that also comprises the town’s main strategy for free cash generation. During our visit the treasurer/collector confirmed that while local receipts are posted to the accounting software, they are not tracked against estimates despite the software’s having that capability.

While it is a recommended practice to conservatively estimate receipts, Sheffield’s local receipt actuals for the current year have historically been dramatically greater

Local Receipts History: Actual vs. Estimates

Fiscal Year	Actual	Estimate	\$ Difference	% Difference
2014	\$ 665,888	\$ 647,790	\$ 18,098	2.7%
2013	\$ 767,451	\$ 568,000	\$ 199,451	26.0%
2012	\$ 731,231	\$ 413,000	\$ 318,231	43.5%
2011	\$ 765,586	\$ 415,000	\$ 350,586	45.8%
2010	\$ 634,021	\$ 425,000	\$ 209,021	33.0%

than estimates. Such a large discrepancy between actuals and estimates does not reflect a policy of carefully tracking receipts throughout the year and making decisions based on that accumulation of data. Furthermore, the precipitous drop in the percent that actuals came in over estimates in 2014 should also be a cause for concern; actuals for that year were only 2.7% over estimates, but for FY2013 were 26% over, and more than 40% over during the previous two years. Local receipt

estimates should then be integrated as part of comprehensive look at all factors influencing free cash, inclusive of prior year's unappropriated free cash, departmental turnbacks, and other revenues in excess of estimates. While Sheffield does not have a history of revenue deficits, it would nevertheless be good practice to track receipts more closely both for the purpose of budget monitoring and for more precisely estimating their free cash position as of the end of the year.

Lastly, there is attic space in Town Hall that currently serves as a graveyard for old computer equipment. This equipment should be recycled properly and that space considered for future use, subject to renovation. In fact, it would benefit Sheffield to conduct a thorough inventory of all available and unused space in town-owned buildings and on town land. This should form the basis of a long-term plan for the town's present and future facilities use.

9. Adopt Formal Financial Policies

Budget Policies – We recommend that the town adopt a set of budget policies that provide specific direction to the town's financial management. These policies should set high-level parameters for building the budget. These might include:

- A statement that the annual operating budget must be balanced and funded from operating revenues.
- A broad definition of the town's operating expenditures.
- A statement limiting (or prohibiting) the use of free cash or the stabilization fund to support the operating budget.
- A statement governing the allocation of one-time, non-recurring revenues, usually to capital projects or for appropriation into stabilization funds.

Sheffield has some informal practices that inform the budget process, and we recommend including them in the discussion for drafting budget policy statements. For reference, a comprehensive set of financial goals and policies for the town of Great Barrington can be found by clicking on "Budget Policy 2016" on their website: www.townofgb.org/Pages/GBarringtonMA_Accountant/index.

Revenue Policies – The basis for every fiscal year's municipal budget should be a projection of the year's total expected revenues. For this reason, it is important that the town have a strong set of policies to efficiently manage its various funding sources.

We recommend that Sheffield adopt a policy directing the town administrator to produce annual revenue projections for the following fiscal year, and that these revenue projections be presented to a joint meeting of the selectmen and finance committee at the start of the formal budget process. The town administrator should also create an estimate of municipal expenditures projected into the same year. If there is a deficit after accounting for projected expenses against projected revenues, the financial management team can form a plan to close it well in advance of town meeting. Likewise, if the town administrator identifies a projected surplus after accounting for standard municipal operations, the town should create and follow a deliberative process to allocate that surplus. Policies that govern the allocation of unexpected or excess revenues allow the town to fund its priorities while decreasing the likelihood of internal conflict.

Sheffield should be tracking its local receipts against a revenue budget and monitoring collections at least quarterly. Estimated local receipts should make up a part of the administrator's revenue projections, and we recommend that Sheffield adopt a policy governing how those estimates are made. For instance, Sheffield's practice has been to estimate local receipts conservatively, and so one budget policy could codify this practice by setting a directive that local receipts estimates in each category not exceed 100% of the previous year's actuals. The financial management team should draft these policies, subject to approval by the selectmen and finance committee and in line with the town's overall goals.

Reserve Policies – We recommend that Sheffield adopt formal policies in regard to free cash and stabilization fund balances as a percent of the town's annual operating budget. Furthermore, the town should track the ratio of its reserves to its annual operating budgets in order to spot downward trends and take appropriate action.

Sheffield's primary free cash generation method is to underestimate local receipts based on prior year actuals. We suggest a formalized, comprehensive policy on the generation and use of free cash. The first step is to adopt revenue policies as mentioned above and in Recommendation 6. The town should also carefully monitor departmental budgets to estimate year-end turnbacks, as well as track revenues to estimate excess receipts. The next step is to develop a process for allocating the town's free cash. The following guidelines are taken from our Best Practice on Reserve Policy. This can be found on the web by opening <http://www.mass.gov/dor/local-officials/>, then clicking on *Municipal Data Management and Technical Assistance Bureau > Technical Assistance Services > Best Practices*.

- Establish target balances for the stabilization fund, annual free cash and other reserves in a total dollar amount or as a percentage of the total annual budget. Then develop a schedule

of annual appropriations (for example into the stabilization fund) or limitations on use designed to reach and sustain target balances over time.

- Direct the use of all or a portion of free cash as a funding source for stabilization, or as an outlay for one-time capital projects. Use revenue from a specific recurring income source (i.e., rental income) for similar purposes.
- If free cash must be used for operations, restrict its use as a general revenue source for the ensuing year's budget and to a maximum percentage of total free cash available.
- Restrict the use of unexpected, non-recurring revenue, or surplus revenue, to one-time costs or tax levy relief.
- Restrict the use of the stabilization fund to non-recurring expenditures and only in an amount above a certain dollar threshold. Set similar guidelines on the use of free cash.

The town is already practicing some of these guidelines, but it should formalize them into a coherent policy for the benefit of present and future decision-makers. Once the town has set guidelines for free cash and its general stabilization fund, it should codify its policies toward the town's capital stabilization fund(s). See Recommendation 11 for more detail.

10. Formalize the Capital Planning Process

We recommend that Sheffield put together a comprehensive five year capital plan that includes prospective capital projects, timelines, and financing strategies. This should also include a statement of long-term policy goals approved by the board of selectmen and finance committee, similar in form to those outlined in Recommendation 9. The capital plan should represent a strategy to prioritize projects according to those goals.

As a first step toward formalizing its capital planning process, we recommend that the town adopt language in its by-laws establishing a Capital Planning Committee ([M.G.L. Chapter 41, Section 106B](#)). We recommend setting membership at five members, with one member from the board of selectmen (or a designee), one member from the finance committee (or a designee), and the remaining members appointed by the town moderator from the public.

Once the Capital Planning Committee (CPC) is established, we recommend drafting capital procedures that set clear expectations, standards, and spending priorities for the benefit of present and future decision-makers. First, the town should conduct a detailed inventory of all its capital assets and develop a replacement schedule based on the original purchase costs, use, and depreciation. Second, the committee should make it an annual practice to revisit the town's capital

needs as part of the budget planning process. Department heads should be encouraged to develop their list of priorities and projects and submit them to the CPC for review. To further guide this process, the CPC should develop clear standards and criteria for what a capital project is in terms of the useful life of the purchase and a minimum dollar-value threshold. Finally, the CPC's recommendations should be presented along with the town administrator's budget before a joint meeting of the selectmen and the finance committee. The CPC should also be responsible for presenting its recommendations to town meeting in advance of capital articles being brought to the floor.

With a comprehensive capital program shaped by clear, consistent standards and spending priorities, the town can more effectively identify its needs and meet its long-term capital goals. For more information on the capital planning process refer to the workbook, "Developing a Capital Improvement Program," on the DLS website, www.mass.gov/dls, under *Municipal Data Management and Technical Assistance Bureau > Financial Management Assistance > Publications and Other Useful Links*.

11. Consolidate Specialized Stabilization Funds

Sheffield currently maintains a general stabilization fund, a fire truck stabilization fund, and a highway truck stabilization fund. While it is good practice to set aside cash for future needs, having two separate funds in this case contributes to a narrow capital planning approach. Both funds represent Sheffield's major recurring capital needs, and as such we recommend that they be combined into one Vehicle and Heavy Equipment Capital Stabilization Fund. The town already makes regular (or semi-regular) annual appropriations into both stabilization funds. We recommend that rather than two separate appropriations, the town make one appropriation equal in amount to what it would usually appropriate to both. This will encourage a more comprehensive approach to capital planning. A greater balance will allow more flexibility, and one fund will be simpler to manage. We recommend that the town adopt policies related to target balance, allocation and use similar to those in Recommendation 9.

12. Schedule Joint Sessions of the Finance Committee and Board of Selectmen

We recommend that the town adopt a more collaborative approach to budget policy. To do this, the town should establish an annual schedule for joint meetings between the selectmen and finance committee to discuss and approve financial priorities throughout the budget process. The town should then establish a schedule that works best for the community. However, DLS recommends that this schedule revolve around at least three key meetings.

The first meeting should be held in late summer or early fall for the purpose of discussing the coming year's goals and priorities. These goals can serve as a general guidepost for the town administrator as she begins to build the budget. Then at the beginning of the budget process the town administrator should formally present the preliminary revenue and expenditure projections, allowing for questions and commentary. Finally, at the end of the process the town administrator should provide the board and committee with her finalized budget for their review and approval at a joint meeting.

13. Track Local Receipts Against Estimates

We recommend that the town administrator and town accountant develop revenue estimates based on the revenue sources used to balance that fiscal year's budget. The town accountant already enters receipt summaries into the accounting software on a regular basis, and with the implementation of Recommendation 6 would have up-to-date revenue data. The town administrator and town accountant should take this one step further and develop an estimate for each line item that is already being entered into the software from the receipts summary. Collections should then be reviewed at least quarterly to identify any potential revenue deficit or conversely, collections in excess of estimates. This will be a vital part of predicting the town's free cash position for the following year.

14. Conduct Inventory of Available and Unused Space in Town Buildings

There is currently no process set up to determine Sheffield's long-term facility needs. The town administrator has indicated that space in Town Hall is a growing concern. During our visit, we observed a large amount of unused space in the top floor of the Town Hall. It is currently home to obsolete computers and printers, and is largely unfinished. The town should arrange for the equipment to be recycled as soon as possible and draw up a plan to include this space in the town's overall approach to facility usage.

We further recommend that the town take account of all the available and unused space in its possession. This includes town-owned land and any and all space in town-owned buildings. This data should be recorded and used as a basis for a long-term facility usage plan that will also factor into Sheffield's capital planning process.

Acknowledgments

This report was prepared by the Department of Revenue's Division of Local Services:

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In preparing this review, DLS interviewed the following individuals:

Rene Wood, Member, Board of Selectmen

David J. Steindler, Chair, Finance Committee

Rhonda LaBombard, Town Administrator

Michael C. Ovitt, Treasurer/Collector

Barbara A. Roraback, Assistant Treasurer/Collector

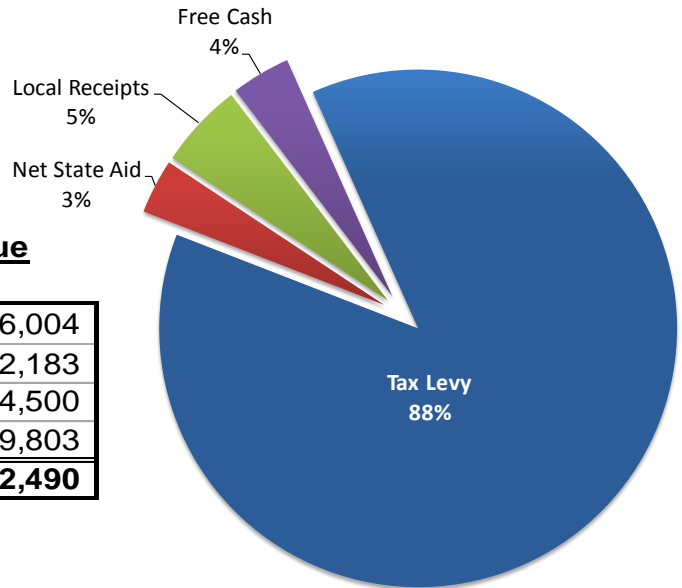
Tammy L. Blackwell, Principal Assessor

James V. McCormack, Town Accountant

Appendix A: Financial Overview

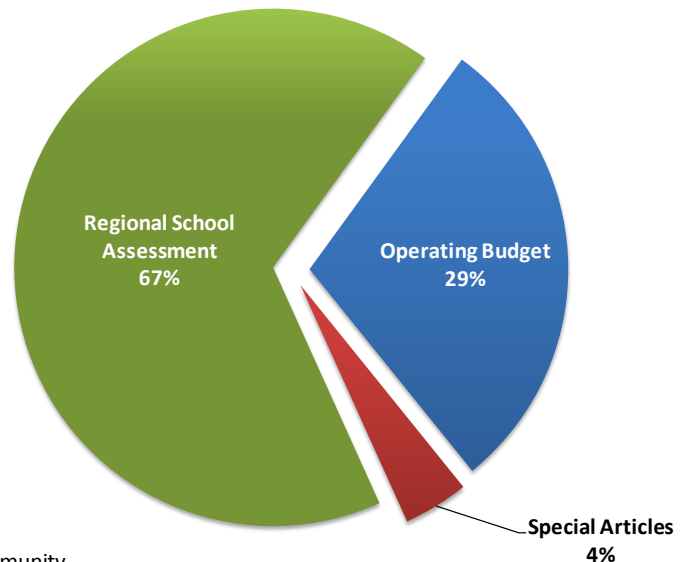
FY2015 General Fund Operating Revenue

Tax Levy	\$ 8,776,004
Net State Aid	\$ 342,183
Local Receipts	\$ 534,500
Free Cash	\$ 369,803
Total GF Revenue	\$ 10,022,490



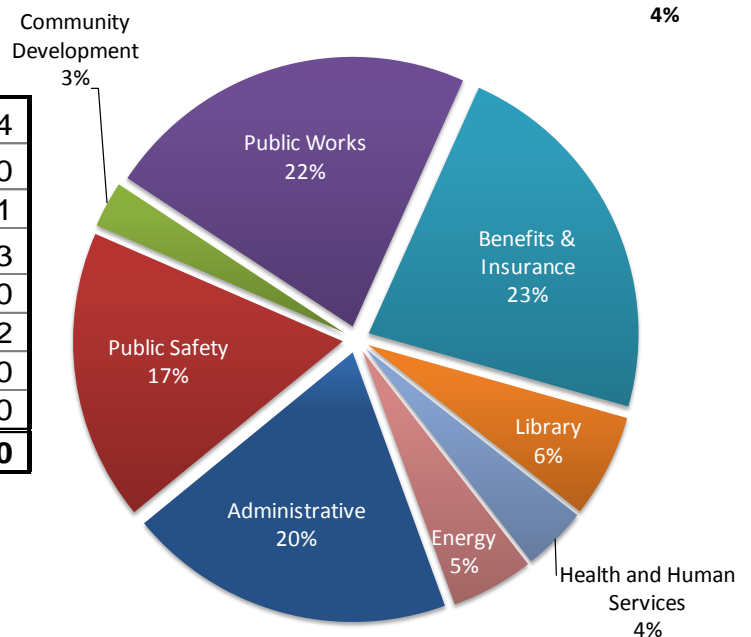
FY2015 General Fund Budget Summary

Operating Budget	\$ 2,876,340
Special Articles	\$ 399,803
Regional School Assessment	\$ 6,577,475
Total General Fund	\$ 9,853,618



FY2015 Operating Budget Allocation

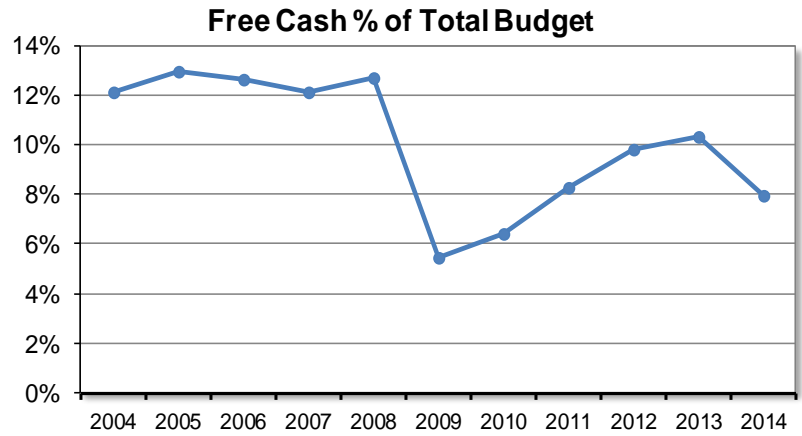
Administrative	\$ 564,594
Public Safety	\$ 501,830
Community Development	\$ 79,191
Public Works	\$ 645,353
Benefits & Insurance	\$ 651,970
Library	\$ 179,082
Health and Human Services	\$ 111,620
Energy	\$ 142,700
Total Operating	\$ 2,876,340



- Financial Overview Continued -

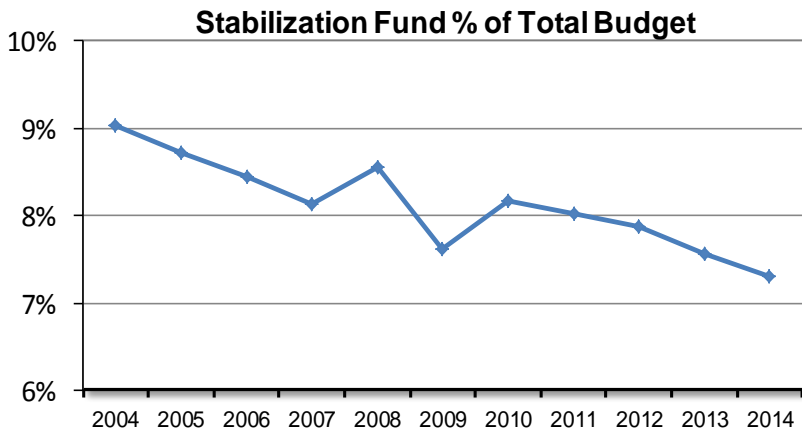
Free Cash as Percent of Budget

Fiscal Year	Budget	Amount	Percent Budget
2004	\$ 6,602,899	\$ 798,437	12.1%
2005	\$ 6,908,449	\$ 896,937	13.0%
2006	\$ 7,283,223	\$ 917,352	12.6%
2007	\$ 7,883,580	\$ 958,111	12.2%
2008	\$ 7,898,398	\$ 1,002,023	12.7%
2009	\$ 9,269,653	\$ 504,008	5.4%
2010	\$ 8,823,361	\$ 567,765	6.4%
2011	\$ 9,032,018	\$ 747,961	8.3%
2012	\$ 9,282,680	\$ 912,564	9.8%
2013	\$ 9,696,623	\$ 1,000,690	10.3%
2014	\$ 10,088,883	\$ 802,938	8.0%



Stabilization Fund as Percent of Budget

Fiscal Year	Budget	Amount	Percent Budget
2004	\$ 6,602,899	\$ 596,277	9.0%
2005	\$ 6,908,449	\$ 602,331	8.7%
2006	\$ 7,283,223	\$ 615,239	8.4%
2007	\$ 7,883,580	\$ 641,470	8.1%
2008	\$ 7,898,398	\$ 676,275	8.6%
2009	\$ 9,269,653	\$ 706,596	7.6%
2010	\$ 8,823,361	\$ 721,061	8.2%
2011	\$ 9,032,018	\$ 724,248	8.0%
2012	\$ 9,282,680	\$ 730,155	7.9%
2013	\$ 9,696,623	\$ 733,955	7.6%
2014	\$ 10,088,883	\$ 736,385	7.3%



General Stabilization Fund only, does not include specialized stabilization funds.

Appendix B: Comparison of Sheffield’s Treasurer/Collector’s Office to Other Peer Communities

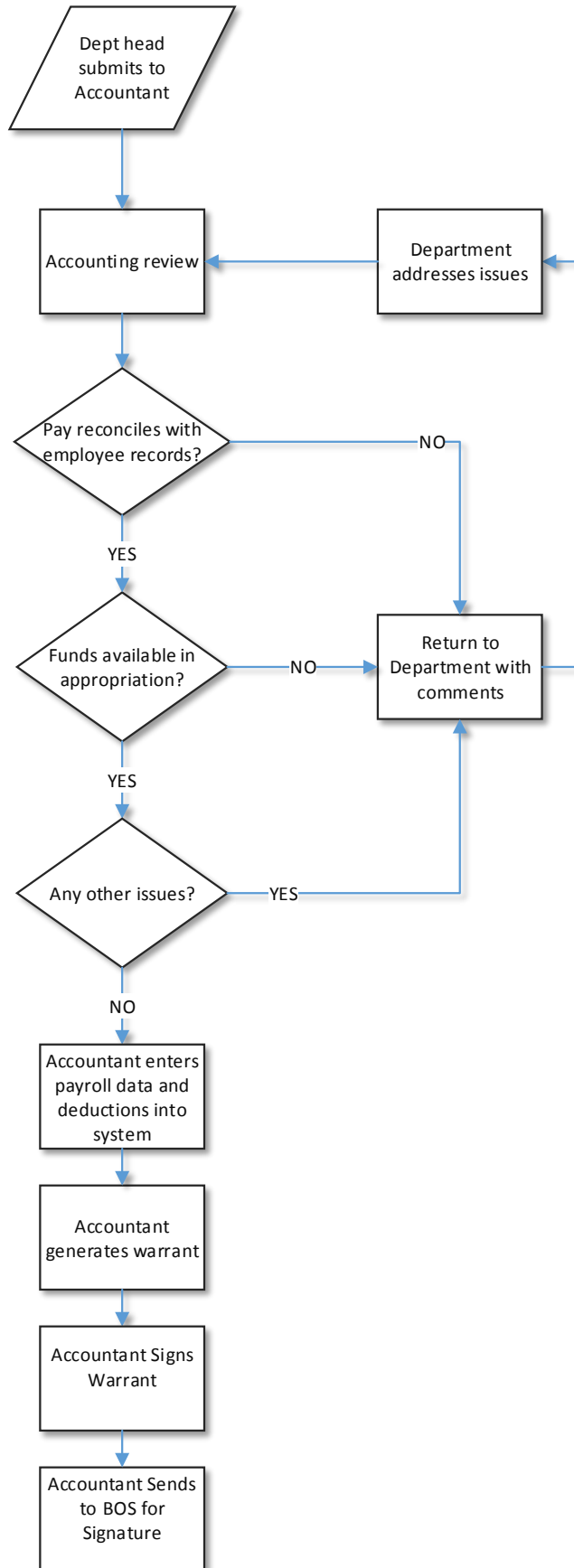
	New Marlborough	Lanesborough	Sheffield	Hatfield	Brimfield	Great Barrington
County	BERKSHIRE	BERKSHIRE	BERKSHIRE	HAMPSHIRE	HAMPDEN	BERKSHIRE
2012 Population	1,498	3,057	3,233	3,275	3,660	7,003
Real Estate Parcels	964	1,942	2,550	2,028	2,180	3,823
2013 Budget	\$4,909,725	\$10,287,908	\$10,088,883	\$11,229,893	\$8,915,362	\$25,306,885
Combined Treasurer/Collector?	No	No	Yes	No	No	Yes
Appointed/Elected?	Appointed	Appointed	Appointed	Elected	Elected	Appointed
FT Staff	0	0	2	0	0	2
PT Staff	2	Collector: 18 hrs/week; Treasurer: 30 hrs/week	1 at 19hrs/week	Treasurer: 1 PT; Collector: 2 PT	Collector: 60 hrs /year; Treasurer: clerical staff at 15hrs/week	1 at 14 hrs/week (M + F)
Treasurer processes timesheets?	Yes	No	Yes	Yes	Yes	Yes
Electronic Lockbox?	No	No	No	No	No	No
Online Payments?	UniPay	UniPay	UniPay	UniPay	UniPay	UniPay
Payroll Frequency	Weekly	Bi-weekly	Transitioning	Bi-weekly	Bi-weekly	Bi-Weekly
Tax Bills Issued	Quarterly	Quarterly	Quarterly	Quarterly	Billed Quarterly, mailed semi-annually (2 payment coupons each mailing)	Semi-annually/twice per year

Staffing data gathered through phone and email survey of included departments.

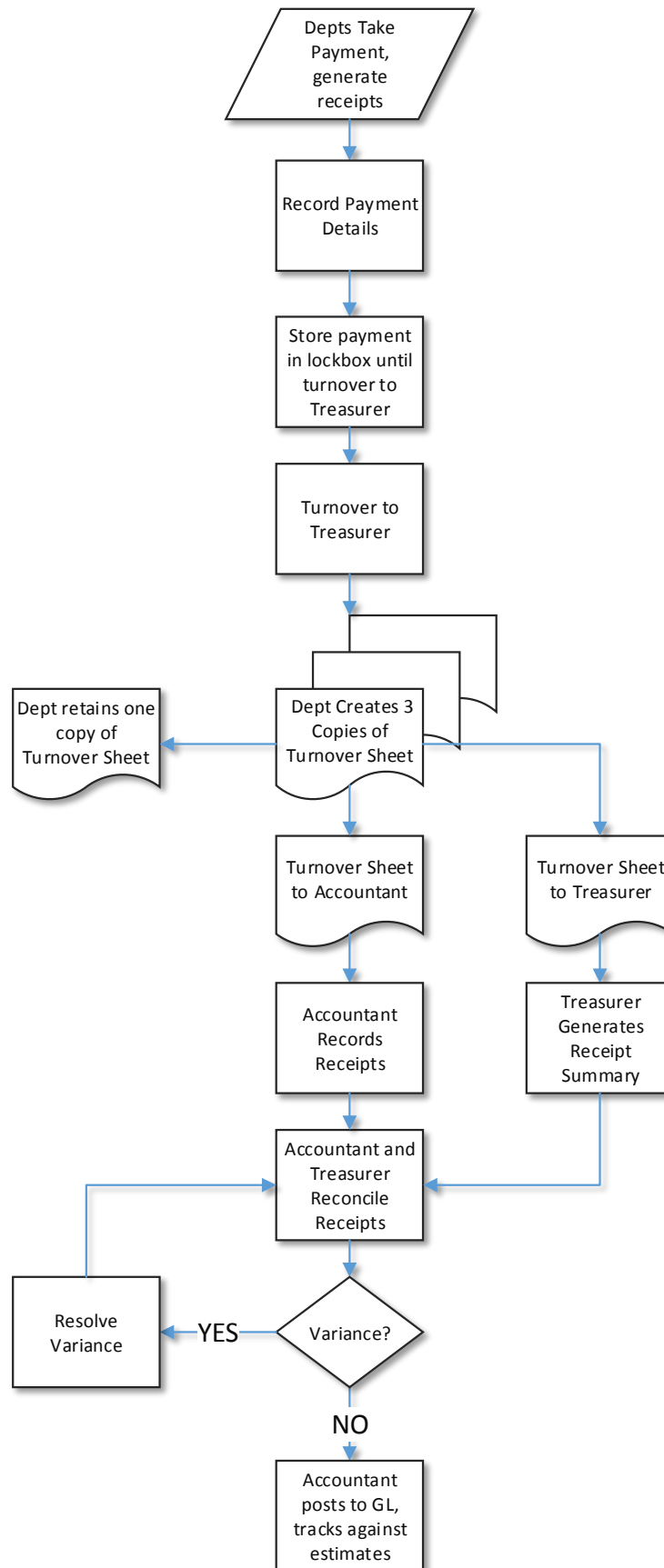
Appendix C: Duties of the Town Accountant
(Excerpted from DOR's Accountant/Auditor Manual)

1. Verify that any expense payment is lawful, justified and that funding exists under the appropriate budget line item ([MGL Ch. 41, Section 52](#))
2. Maintain municipal books including a general journal, general ledger and subsidiary ledgers ([MGL Ch. 41, Section 57](#))
3. Maintain detailed records of all debt ([MGL Ch. 41, Section 57](#))
4. Retain custody of all contracts and surety bonds ([MGL Ch. 41, Section 57](#))
5. At the close of the fiscal year, receive from each department, board or committee a list of bills remaining unpaid ([MGL Ch. 41, Section 58](#))
6. Certify, in advance, the availability of an appropriation for any construction contract in excess of \$2,000 ([MGL Ch. 44, Section 31C](#))
7. Certify to the assessor's expenditures, approved in advance, in excess of appropriations for the removal of snow and ice ([MGL Ch. 44, Section 31D](#))
8. Prepare a monthly statement for officers or department heads showing the total appropriations, expenditures and the balance in each appropriation.
9. Notify the selectmen when it appears that an appropriation has been expended or is likely to be overdrawn ([MGL Ch. 41, Section 58](#))
10. Furnish the assessors with a written report detailing money received for the preceding fiscal year from sources other than taxes, loans and trust funds ([MGL Ch. 41, Section 54A](#))
11. Notify the assessor, in writing, by May 1, of the amount of debt falling due in the next fiscal year and of provisions made to meet these requirements ([MGL Ch. 44, Section 16](#))
12. Immediately upon the close of the calendar year, prepare statements detailing the preceding year's appropriations and expenditures; appropriations for the current fiscal year; expenditures incurred during the first six months; estimates for expenditures for the second six months and estimates for the ensuing fiscal year ([MGL Ch. 41, Section 60](#))
13. Make an annual report stating receipts and expenditures for the past fiscal year from all funds; showing the appropriation, the expenditure and purpose; stating any change in town debt, list of indebtedness incurred and unpaid at the end of the fiscal year ([MGL Ch. 41, Section 61](#))
14. Prepare and furnish to the Director of Accounts, Department of Revenue, 1) a "Schedule A", 2) a statement of public debt, and 3) a "Balance Sheet" ([MGL Ch. 44, Section 43](#))

Appendix D: Recommended Payroll Warrant Process



Appendix E: Recommended Turnover Process



Appendix F: Cashbook Sample

Treasurer's Cash Book

FY _____

Current Date: 03/11/2006	Begin Balance: 1,500,000.00		(599,150.00)	0.00	0.00
	Total - receipts:	6,850.00	Total Deposits:	6,850.00	
	Total - warrants:	(606,000.00)			
	Balance: 900,850				

Date	Source/Description	Check # or Batch #	Receipts	Disbursements (warrants)	Deposit Date	Deposits	General Account	[Bank Name] Vendor	[Bank Name] Payroll
	[prior month end balance]								
02/05/2006	Collector's TO #234	B 1468	2,500.00						
	Bldg Insp TO #56	B 3579	3,700.00						
	Clerk TO #86	B 5008	650.00		02/05/2006	6,850.00	6,850.00		
03/08/2006	transfer to vendor						(46,000.00)	46,000.00	
	transfer to payroll						(560,000.00)		560,000.00
03/09/2006	Vendor Warrant #26	C 450-479		(46,000.00)				(46,000.00)	
03/11/2006	Payroll Warrant #33	C 509-525		(560,000.00)					(560,000.00)