

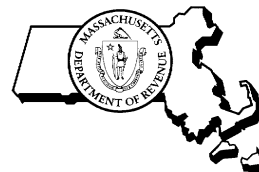


Town of Sherborn

Financial Management Review

Division of Local Services / Technical Assistance Section

May 2012



May 4, 2012

Board of Selectmen
Town of Sherborn
19 Washington Street
Sherborn, MA 01770

Dear Board Members:

It is with pleasure that I transmit to you the enclosed Financial Management Review completed by the Division of Local Services for the Town of Sherborn. It is our hope that the information presented in this report will assist the town in improving its financial management practices, addressing areas of concern and meeting its long-term planning needs.

Our technical assistance team welcomes the opportunity to present the report to the board of selectmen at a public meeting. As an added service, we are willing to meet with staff, earlier on the same day, to discuss implementation of the report recommendations.

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

If you have any questions or comments regarding our findings and recommendations, 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,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Richard J. Ross
Representative David Paul Linsky

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Introduction

At the request of the Sherborn Board of Selectmen, the Department of Revenue's Division of Local Services has completed this financial management review of municipal operations. The request was initiated by a citizen's petition passed at annual town meeting last year asking DOR to evaluate the governmental structure of the Town of Sherborn.

We have based our findings and recommendations on site visits and telephone conversations by staff members of the Division's Municipal Data Management & Technical Assistance Bureau (MDM/TAB). The town's DLS Bureau of Accounts field representative and its Bureau of Local Assessment community advisor were also consulted. The staff interviewed members of the board of selectmen and advisory committee, as well as the interim town administrator, assistant town administrator, town accountant, treasurer, tax collector, director of assessing and other municipal finance office staff. A full list is available in the Acknowledgements.

DLS staff examined documents such as the annual budgets, tax rate recapitulation sheets, balance sheets and audits. We reviewed the town's organizational structure as set out in the town's bylaws. The town also provided us with warrants, job descriptions, revenue and expenditure reports, and the outside audit reports and management letters completed by Melanson, Health & Company, PC.

The purpose of this assessment is to assist Sherborn officials as they evaluate the town's government structure and overall efficiency and effectiveness of financial management operations. In reviewing the existing operations, we have focused on the duties and responsibilities of financial officers; the degree of coordination and communication that exists between and among local officials; and opportunities for process improvements.

General Government Overview

The Town of Sherborn is a small bedroom community nestled along the banks of the Charles River about 18 miles southwest of Boston. With a minimum of one, two and three acre zoning and a preponderance of open space, the town retains much of its rural character. Sherborn is, in fact, the third least densely populated community in Middlesex County, with a population of 4,119 spread across 15.96 square miles.

The town's proximity to Boston and rural ambiance contribute to its high income levels and property wealth. According to the latest figures, Sherborn's income per capita based on 2009 tax returns is the third highest in the state at \$121,366. Property wealth, as measured by 2010 equalized property values per capita, is \$293,540, and the average single-family home in Sherborn is valued at \$742,787. By comparison, the average single-family home in Massachusetts is worth \$358,586, while the average EQV per capita statewide is \$156,493. Interestingly, the top five taxpayers in Sherborn own properties that are classified as residential.

Because the town lacks any significant commercial or industrial enterprise, the tax burden is predominately borne by the residential class, which constitutes over 95 percent of the total tax base. Sherborn also has a high average single-family tax bill of \$13,534, which ranks second in the state. This burden is relatively moderate, however, in the context of the town's income levels. When the residential tax levy per capita is divided by per capita earnings, the tax burden falls to one of the lowest in the state at less than 4 percent of total income.

Sherborn's overall tax burden can be explained largely by the number of tax overrides passed in town. Since 1990, residents have approved 12 operating overrides, including one each year between 2000 and 2006. In total, all overrides have compounded to add almost \$5.2 million to the tax levy. As a result, over 25 percent of the current levy is directly attributable to overrides. Based on data submitted to DLS, Sherborn has also excluded a significant amount of debt. Since 1990, residents have authorized local officials to exclude almost \$27 million dollars in debt service from the limits of Proposition 2 ½, or an average of \$1.2 million per year, for various capital purchases and projects.

Of the total operating budget (\$24,181,856), 86 percent is funded through the tax levy, while an additional 4.5 percent is from local receipts, 4 percent from state aid, and 5.5 percent from all other sources. Because of recent cuts in state aid and reductions in other forms of local revenue, Sherborn is becoming increasingly reliant on property taxes to cover its costs. Between FY2002 and today, the percentage of revenues attributed to the tax levy has shifted by nearly 5 percent.

Among other available funds to draw from, Sherborn's certified free cash balance as of June 30, 2011 was \$854,791, or 3.53 percent of the total budget. At the same time, the town had \$617,487, or 2.55 percent of the total budget, in a stabilization fund at the close of FY2011. However, since the start of the recession in FY2009, Sherborn's combined reserve balance has dipped significantly as local officials relied on free cash to balance the budget and reduce the overall tax burden.

Appropriated at annual town meeting, the town has used more than \$2.5 million, or about 40 percent of its certified free cash, to cover ongoing operating costs since FY2009. In the last two years alone, Sherborn's available free cash balance declined by almost 50 percent, from a peak of \$1.6 million to \$854,791 as of June 30, 2011. During this period, however, local officials also channeled \$300,000 in free cash to the stabilization fund. This figure is somewhat misleading because a significant portion of the stabilization fund is now informally earmarked to cover Other Post-Employment Benefits (OPEB), like retiree health insurance. In the Appendix, we illustrate Sherborn's historic free cash and stabilization levels.

Characteristic of a community with high income and education levels among residents, Sherborn's spending has been largely directed toward education, which accounts for about 63 percent of the total operating budget. A combination of debt and other fixed costs, like health insurance and pension benefits, represents about 15 percent of the budget, while public safety makes up 13 percent. General government, including costs associated with operating the various finance offices of the accountant, treasurer, tax collector and assessors, comprises only 5 percent of the total operating budget. Culture, recreation and human services make up the remainder.

Within this context, town operations are organized under a collection of state statutes, special acts, local bylaws and general policies. There is no town charter. Typical of communities this size, legislative power is vested in open town meeting, while executive authority falls to the three-member board of selectmen. Selectmen are responsible for setting town goals and establishing policy. They appoint a full-time town administrator to manage the day-to-day affairs of the town. The town administrator has limited supervision over municipal operations and only directs departments and staff under the control of the board of selectmen, according to bylaw. Most of the financial management team, including the treasurer, tax collector and board of assessors, who appoints a director of assessing, are separately elected.

In March 2011, Sherborn's town administrator resigned to accept a similar position in Blackstone. Following his departure, selectmen decided to coordinate day-to-day activities themselves through the assistant town administrator. They also voted to clarify the town administrator's job description, advertise the vacancy, and form a search committee.

By late fall, however, the focus of selectmen had shifted. They recognized that local government could no longer sustain itself as it once had, and that they needed to respond to the continued upward pressure on taxes. As a result, the town administrator search was put on hold, and the Edward J. Collins, Jr. Center for Public Management was engaged to review town operations.

By November 2011, the Collins Center delivered their “Report Relative to the Organization and Operations of the Town of Sherborn, Massachusetts.” The scope of that review involved “an overview of the current organizational structure and operational practices of the Town of Sherborn with a view to identifying changes that might improve the efficiency and effectiveness of the Town.” In doing so, the Collins Center identified nine recommendations designed to enhance accountability and improve the overall operation of town government. The Collins Center report is available on the town’s website (www.sherbornma.org).

Following the review, selectmen appointed a part-time interim town administrator to implement the organizational changes recommended by the Collins Center. A special ad hoc committee was also formed to explore possible avenues for revenue enhancement to offset the residential tax burden. Lastly, the DOR was contacted to perform a financial management review following a citizen’s petition passed at town meeting.

Now approximately four months on the job, the interim town administrator has proven to be a competent management presence overseeing operations. While implementing the goals and objectives of the board of selectmen, he is also actively working to forge communication channels and build working relationships between his office and finance officials. At the same time, he has introduced new operating procedures for the board of selectmen and instituted regular financial management team meetings. It is understood, however, that his appointment in Sherborn is only temporary.

For this reason, we feel that selectmen need to focus their efforts on making these changes more permanent in nature with the hopes of attracting a qualified town administrator. Overall, our primary recommendations are geared toward establishing a more centralized organizational structure, in which a single management presence operates with clear lines of authority. Sherborn’s decentralized form of government today does little to facilitate accountability or a top-down management approach.

In strengthening the role of the town administrator, selectmen must be willing to delegate their authority, and to distance themselves from the management of day-to-day operations. We understand that the absence of a town administrator over the last year has, in large part, prompted a more involved role of the board of selectmen. But, the town’s history of six town administrators in 16 years also suggests other underlying issues. For example, town hall personnel felt that professional relationships with selectmen had become strained due to a lack of respect for their work, while policymakers had concerns

about their ability to obtain basic financial and other management-related information in order to make decisions.

Regardless, unless and until the board of selectmen is willing to enter the search process for a new town administrator with the resolve to relinquish control, they will not attract better candidates and will only perpetuate the failures of the past. They will also be unable to convince town hall workers that the town administrator is in charge, and will have little success implementing the recommendations of our report or those of the Collins Center. Solidifying leadership at the top is a necessary first step.

At the same time, the advisory committee will need to redirect its responsibilities to reflect a more traditional role as watchdog. In executing a strategy to restructure municipal operations, we feel the town could also benefit by defining human resource responsibilities and possibly consolidating operations into a department of public work. We recommend as much.

Other recommendations in the report focus on overall financial management activities. Despite the structural weakness in town government, we found a group of skilled, competent department heads and personnel in town hall. The town has adequate financial controls and proper procedures in place. There is also a high degree of coordination between and among finance officers in carrying out their responsibilities. Within this context, our recommendations include the need to develop a free cash and stabilization funding plan. Other recommendations suggest the town could benefit from standardizing town hall hours, initiating quarterly tax billing and centralizing the collection of fees to reinforce how cash is handled. Lastly, we comment on opportunities to strengthen various policies, practices and procedures.

Primary Recommendations

These primary recommendations comment on the organizational structure and reporting relationships that are critical to fiduciary controls and municipal financial management activities in Sherborn. In reviewing the existing operations, we have focused on: documenting existing organizational structures and workflows; examining potential options and opportunities for achieving operational efficiencies or process improvements; and assessing the benefits or efficiencies associated with consolidation or restructuring the town's finance operations.

1. Codify Position of Strong Town Administrator

The Town of Sherborn operates within a decentralized form of government where the town administrator lacks any formal authority and oversight responsibilities are vested with volunteer and elected boards and committees who work part-time. As a result, the town administrator exercises no direct control and must steer government by seeking buy-in from multiple elected and appointed stakeholders. In the Appendix, we include an organizational chart of Sherborn's current finance management operations, as well as one based on our proposed recommendation below.

We recommend that Sherborn codify a strong town administrator position through a special act. In Massachusetts, there is a growing trend in local government that favors a centralized management approach under the direction of a professional administrator. For Sherborn, we propose that the town administrator serve as the town's chief administrative and financial officer responsible for managing day-to-day operations. Under the policy direction of the board of selectmen, the town administrator would supervise and direct the administration of all departments, boards and committees appointed by him, including the treasurer, tax collector, accountant, and the director of assessing who would also have a dual reporting relationship with the board of assessors.

In doing so, the town administrator would coordinate financial management activities and oversee municipal operations. This role should include, among other responsibilities, the following:

- **Municipal Operations** – The town administrator should oversee administrative functions of town government to ensure all services are provided in a coordinated manner and are as cost effective as possible. He should be responsible for appointing, supervising, and evaluating all department heads to create a more accountable government (Recommendation 13). He also should convene monthly department head meetings to ensure communication on future planning issues, ongoing activities, or other matters as they arise. This might include making sure reconciliations are completed timely, facilitating the change to quarterly tax billing (Recommendation 9), and spearheading a move to centralized collections (Recommendation 10).

- **Budget Process** – The town administrator should orchestrate the annual budget process and chair monthly financial management team meetings. He should develop revenue and expenditure assumptions, prepare multi-year forecasts, work with departments to finance major capital purchases, draft departmental guidelines, prepare a balanced budget proposal, and present it to policymakers. The town administrator should also update revenue and budgetary information as it becomes available, and provide managerial and analytical support to the advisory committee so they may review proposals and focus on important policy decisions to be made during the budget process. The advisory committee would continue to make budget recommendations to town meeting (Recommendation 3).
- **Policy Analysis & Recommendations** – The town administrator should be responsible for coordinating, analyzing and making recommendations to the board of selectmen on long-term policy decisions. For example, he would provide policymakers with a cost/benefit review for any long-term contract under consideration (Recommendation 11), evaluate and propose financial policies (Recommendation 7), and research and prepare analyses on potential decisions facing town government.
- **Procurement** – The town administrator should function as the chief procurement officer to coordinate the purchasing of all supplies, materials and equipment for the town. Among other duties, he would review purchases for compliance with state procurement laws under M.G.L. c. 30B (Recommendation 18).
- **Human Resources** – The town administrator should have overall responsibility for human resources. This would involve taking the lead on collective bargaining, determining that employee pay and classification schedules are adequate, and confirming that personnel procedures are comprehensive and conform to state and federal laws and town policies (Recommendation 14).

For this structure to work in Sherborn, the board of selectmen must be willing to relinquish involvement in day-to-day affairs and allow the town administrator to manage as recommended below.

2. Clarify Selectmen’s Relationship with Town Administrator

The relationship between the board of selectmen and town administrator in Sherborn lacks clarity. While the board of selectmen is broadly defined as the chief policymaking body for the community, the town administrator is described as serving as the chief administrative officer responsible for day-to-day operations. This definition, however, does little to clarify the nature of their relationship or establish obvious leadership and governance responsibilities.

In a brief opinion paper published for the Massachusetts Municipal Association, Franklin town administrator Jeff Nutting further describes the challenge. He writes how town administrator job descriptions often read like a laundry list of responsibilities that rarely address the working relationship between and among the town administrator and board of selectmen. He argues for the need to clarify this role in order to build a more effective working relationship.

Based on our observations, this lack of definition can manifest itself in number of different ways— board meetings can feel unproductive, individual selectman can hold more or less influence over the town administrator, or there can be a tendency to micromanage activities normally associated with departments.

For Sherborn, the interim town administrator is taking steps to clarify the nature of his relationship with the board of selectmen. Last month he introduced a series of operating procedures to structure the working relationship between and among the board of selectmen, the town administrator, and other committees and citizens. He is also taking a more involved approach in guiding selectmen on various policy-related matters and setting a direction for the town, such as developing a series of goals and objectives. We view this as a positive first step.

Moving forward, we expect Sherborn’s board of selectmen to continue to foster a more productive and effective working relationship with the town administrator. As the policymaking body of the town, the board should focus on three major areas, as described by Nutting: employing a good town administrator, setting a strategic direction for the town, and resolving special problems. Work in these areas would include, identifying clear expectations for and evaluating the work of the town administrator, engaging stakeholders to develop annual goals and objectives, and designing procedures to resolve problems. In this way, the town administrator can then center his attention on managing day-to-day activities as the chief administrative officer.

Once this working relationship is defined, selectmen should consider moving to bi-weekly meetings. Because the town administrator is in town hall every day, there is less reason for the selectmen to meet on a weekly basis. In some cases, we have seen where weekly meetings actually obstruct productivity, because of the amount of time the town administrator must spend feeding the needs of the board, rather than focusing on the administrative issues at hand. When meetings are seven days apart, there is little time available to accomplish the goals of the community.

3. Redirect the Role & Responsibilities of the Advisory Committee

The primary function of Sherborn’s advisory committee is to review and make recommendations on all matters of business before town meeting. In the absence of a strong town administrator, however, they have moved beyond this traditional role to assume a leadership presence in matters of municipal financial management. Today, the advisory committee largely formulates revenue and expenditure projections; devises the annual budget guidelines; reviews appropriation requests for town departments, boards and committees; conducts hearings with department heads; develops the omnibus budget presented to town meeting; and reports on the state of the town.

With the introduction of a well-defined town administrator position, as recommended, we expect the advisory committee's role to change. While the nature of their mandate would not be altered, the committee would shift to an active consultative role in the annual budget process and in all finance-related policy matters. The advisory committee would step back to focus on global issues rather than the minutia of preparing individual departmental budgets. They would function more in a higher level policymaking role, including review of spending priorities, use of free cash and other reserves, and the development of fiscal policies. The town administrator would then assume responsibility for the mechanics of the annual budget process, while the committee would continue to function as the independent finance watchdog for town meeting.

4. Merge and Appoint Treasurer & Tax Collector Positions

Due to parallel requisite job responsibilities and professional skill-sets, we routinely encourage communities to combine the offices of treasurer and tax collector into a single, appointed position as a way to streamline operations. Having all receipts collected, counted, posted, deposited and managed in the same office by one individual selected for his or her credentials and experience makes organizational sense.

Today, however, Sherborn benefits from having well-qualified professionals in the treasurer and tax collector's office. While this may not always be the case, they each share long-standing ties to the community and the strong desire to move the town forward. For this reason, we believe that legislation to expand the authority of the town administrator, as recommended previously, should be written so that the treasurer and tax collector are combined into a single appointed position upon the expiration of their remaining concurrent terms.

5. Other Government Structure Related Recommendations

Define Human Resource Responsibilities: Human resource management has become an increasingly important component to even the smallest municipal governments. Key functions include recruitment and training, performance appraisals, workplace safety, managing disputes, maintaining a positive working environment, collective bargaining and benefits administration. In Sherborn, the selectmen's office, town administrator, personnel board, treasurer, and payroll clerk are among those involved in overseeing human resources or personnel-related functions for the town. While this mix is not uncommon among the smaller communities we visit, it is not ideal. Lines of communication can be easily blurred and responsibilities can be lost. For this reason, we feel the town administrator should have overall responsibility for human resources. In this capacity, the town administrator would

coordinate a review of current practices to determine how human resource activities will be handled, and by whom.

Consolidate Public Works Operations: As a long-term endeavor, we recommend that Sherborn explore the consolidation of facilities maintenance, cemetery perpetual care, oversight of the transfer station, and the community maintenance and development department into a centralized department of public works (DPW). The town can generate efficiencies in staffing, the use of equipment and outside contractors if a single DPW were to oversee the duties and responsibilities of all public maintenance functions of the town. In establishing a DPW, we envision the public works director being appointed by and reporting to the town administrator. Although not required, the town would further benefit if the DPW director served as the facilities director and was an engineer. Absent any separately elected boards and committees, a consolidated DPW can be established through bylaw.

Overall Financial Management Recommendations

The management of municipal finances centers on four primary departments, including the town accountant, treasurer, tax collector and director of assessing. The individual responsibilities within each of these offices are critical to the financial well-being of the town and go beyond any one department to impact local government as a whole. The success of these departments depends largely on the ability of local finances officers to communicate with one another, collaborate on various reporting responsibilities on a regular basis, and generally coordinate municipal financial management activities. Below, we provide a brief description of the operational makeup and core responsibilities of Sherborn's town accountant, treasurer, tax collector and director of assessing.

Accountant: The town accountant, appointed by the board of selectmen, has been with Sherborn for almost 30 years. She was promoted to the position in 1999, after a four year hiatus when she earned her Master of Business Administration. Her office staff includes a full-time payroll administrative assistant and a part-time accounts payable administrative assistant who both split time with the treasurer. As town accountant, she has the legal obligation to oversee all financial activities of the municipality. Through the maintenance of independent records and by follow documented internal control procedures, her office records the flow of money into and out of municipal accounts and plays a vital role in the systems of checks and balances established by statute to monitor and protect local assets. To fulfill this obligation, the office prepares payroll and vendor warrants that are signed by the board of selectmen. She also maintains a general ledger in SoftRight's financial management software, where receipts, expenditures and all other town financial activity are recorded. In addition, the town accountant monitors and distributes monthly revenue and expenditure reports to various departments, boards and committees, and is involved in the budget process. Lastly, the office uses Harpers Payroll Services to track, record and produce payroll.

Treasurer: The treasurer in Sherborn is elected and has been in office for 35 years. He is certified by the Massachusetts Collectors and Treasurers Association and has a Master of Business Administration and was a faculty member of Babson College's Accounting and Law Department. The position is part-time at 28 hours per week. The treasurer receives support from a part-time assistant treasurer (8hrs/wk), as well as the full-time and part-time administrative assistants who also work with the town accountant. The treasurer is the community's cash manager who should have custody of all municipal money. This responsibility includes posting receipts from over 20 different departments into SoftRight, the town's financial management software, and depositing funds into appropriate bank accounts. He keeps a cash book, monitors bank balances and maintains a cash flow report to ensure sufficient funds are available to cover town obligations. The treasurer also reconciles his records to bank statements, and his cash balances with the accountant on monthly basis.

Collector: The elected tax collector has been with the town since 2001. Certified by the Massachusetts Collectors and Treasurers Association, she is responsible for issuing tax and excise bills, for receiving and posting payments, and for turning over collections to the treasurer. To complete these tasks, she receives a commitment from the director of assessing, which is converted into Point, the collection software package used for posting payments. She also maintains a receivable control where all monies received and abatements allowed are recorded for all real estate, personal property and motor vehicle excise payments. This is reconciled to Point internally and with the accountant. Tax payments are received over-the-counter, online, by mail, or drop box. Tax demands are issued and tax takings are completed timely on delinquent accounts. Municipal Lien Certificates that list all taxes owed on a parcel at the time of refinancing or sale of a property, are also completed by the office.

Director of Assessing: The director of assessing is appointed by a three member, elected board of assessors, and has worked in Sherborn for 16 years. She is a Massachusetts Accredited Assessor (MAA) and holds a Residential Massachusetts Assessor designation. The office has one part-time assistant. As director, she handles all day-to-day functions of the office, including the valuation of all real and personal property in town, and building, sales and abatement inspections. Her office also generates the commitment, which authorizes the tax collector to collect property taxes and motor vehicle excise. To carry out these responsibilities, the office uses Patriot Property's Computer Assisted Mass Appraisal system for maintaining property record data, and consults with the company during certification years to assist with personal property and commercial/industrial valuation. She completes all interim year adjustments, and determines new growth. She also estimates the annual overlay.

Based on our observations, the accountant, treasurer, tax collector and director of assessing are skilled professionals who communicate and work well together. Department staff also appear highly competent. From our vantage point, essential checks and balances appear to be in place and sound practices and procedures have been installed. Finance offices continue to work hard to build financial controls, which is evidenced by the town's clean audit reports. Nevertheless, we did find that the town accountant struggles to stay current on reconciliations and with other day-to-day responsibilities. This, however, can be largely attributed to the lack of a town administrator, and to recent conversion to the SoftRight financial management software. We also found that work typically associated with the town administrator, such as gathering and distributing budget-related information, has been delegated to the town accountant. She also is regularly consulted by the advisory committee during the budget season.

With that said, the recommendations below center on the fiscal procedures carried out in finance related departments. Accordingly, we examined the budget, financial forecasting, capital planning and the accounts payable and receivable processes. We looked at fiscal policies and financial monitoring practices, and the effect the town's organizational structure has on government. We further reviewed the town's current operations in the context of best practices observed in other communities and recommended by the Division of Local Services. We also considered the roles, responsibilities and

working relationships among individuals, together with the level of communication and cooperation that exists among decision-makers, managers and staff. Finally, we reviewed local compliance with state laws and regulations relating to finance matters, adherence to acceptable form and to timetables for the submission of periodic reports to the DOR.

6. Establish Timeline for Implementing Goals & Objectives

Over the last several months, the interim town administrator has been working with the board of selectmen to develop a strategic plan for reengineering town hall operations. In doing so, he has assembled a list of goals and objectives based in large part on recommendations made by the Collins Center in their “Report Relative to the Organization and Operations of the Town of Sherborn, Massachusetts.” In its current state, the list identifies each recommendation, its associated goals and objectives, and the responsible parties involved and any action steps to date.

In carrying this effort forward, we suggest that the town administrator and board of selectmen build a working timeline for executing individual recommendations. Once established, the board of selectmen can begin to remove some of the uncertainty in how the future will unfold. We feel this would ease staff anxiety and begin a process of smoothing relationships among stakeholders to repair morale in town hall.

Also, we recommend that the town administrator engage department heads to develop a comprehensive list of clearly defined annual goals and objectives for each department. In its simplest form, goals are a broad statement of purpose, while objectives offer specific strategies that help attain preferred results. With guidance, a series of specific and reasonable benchmarks can be developed for each department to accomplish, which would be consistent with the long-term plan outlined for the town.

During the year, it is important to measure progress and to anticipate strategies to implement goals more successfully. Opportunities will arise to discuss improvement and, if necessary, bring additional focus to bear on areas where shortcomings are identified. By year-end, departmental performance can be assessed and feedback provided, with appropriate adjustments being made for the ensuing year. Results can be published in the annual town report which will better inform residents of the continued progress being made in town. This system not only fosters an environment of expectations for departments and provides clarity of purpose, but it can become the basis for allocating scarce resources when formulating the annual budget.

7. Develop Free Cash & Stabilization Funding Plan

Sherborn’s rapid decline in free cash is a reflection of the weak economy’s impact on revenues, and on the desire of local officials to maintain service levels and minimize the tax burden. Presented in the Appendix,

the town's available free cash balance has shrunk by close to 50 percent from a peak of \$1,621,955 in FY2009 to \$854,791 today. At the same time, the town's habitual reliance on free cash to balance the budget has only accelerated. Between fiscal year 2008 and 2012, Sherborn's use of free cash for recurring expenses amounted to over \$2,500,000. In FY2011 alone, the town appropriated \$712,741 in free cash to offset or supplement the annual operating budget. Also, while the town transferred \$300,000 to the stabilization fund over this same time period, it is our understanding that the bulk of the money is intended for other post-employment benefits (OPEB) and does not necessarily constitute a true rainy day fund.

Moving forward, we recommend that the town administrator work closely with the advisory committee and board of selectmen to devise a plan for funding and maintaining reserves. Reserves are an important tool for financing unforeseen expenses, retaining money for specific purposes, or supplementing the annual operating costs in limited justifiable instances. Codified reserve policies and strong balances also positively impact a community's credit rating and reduce long-term borrowing costs. Conversely, the lack of a documented plan and weakening reserve levels can have a negative impact that might increase borrowing costs.

A prudent free cash policy should limit the amount that can be expended or establish a target amount that must remain as a starting point for the next year's free cash calculation. For instance, if the town chooses to direct a portion of free cash to a recurring spending purpose, then an equal amount should be retained as unexpended so that it might carry forward into the subsequent year's free cash calculation. As a matter of practice, the town should also resist using free cash to supplement current year operations or to offset next year's budget. More appropriately, free cash should be used as a capital outlay or to finance the stabilization fund.

In regards to a general stabilization fund, local officials should identify target levels in a total dollar amount, or as a percentage of the total budget. Credit rating agencies recommend a range of between three-to-five percent of the budget. A policy might also specify that excess free cash or certain recurring income streams become a stabilization funding source. If the town would like to continue to reserve OPEB-related costs, but not in a trust fund authorized under M.G.L. c. 32B, §20, it might consider establishing a special purpose stabilization fund. A special purpose stabilization fund offers the same flexibility and is accounted for in a similar fashion as a general stabilization fund. In this way, the general stabilization, which cannot legally be earmarked, will serve as a true rainy day fund, while money to cover OPEB obligations will be set aside separately.

In the Appendix, we offer a 10-year historical view of free cash and stabilization fund balances as a percentage of the total budget.

8. Standardize Town Hall Office Hours

Local officials should establish standard office hours for departments in town hall. Largely reflective of the part-time nature of government in Sherborn, individual departments have varying office hours, which are depicted to the right. This is no doubt cumbersome for residents who might arrive at town hall expecting to conduct business with multiple departments only to find that one or more is closed to the public. Moving forward, local officials should make an attempt to coordinate hours of operation at the town hall in order to ease public access. While this might not be the most convenient approach for town officials, because of their limited working hours and varying schedules, it will enhance the service orientation of local government.

TOWN CLERK	M-Th 9 AM-1 PM and Tues 6-8 PM
Selectmen's Office.....	M-Th 8 AM-5 PM and Fri 9 AM-1 PM
ACCOUNTANT & TREASURER.....	M-F 8:30 AM-4:30 PM
ASSESSORS	M-Th 8 AM - 12 NOON
BOARD OF HEALTH.....	M, W 9 AM-12 NOON; T, Th 9 AM-4 PM Health Agent by appointment
BUILDING INSPECTOR.....	M - T 7AM - 3:30PM; Th 7AM - 12NOON
CONSERVATION AGENT.....	M, Th 8:30 AM - 1:30 PM + by Appt.
COUNCIL ON AGING	M 9AM-12:30PM + 1:30-3PM; T-Th 1-4 PM
PLANNING BOARD	M, F 9AM-12:30PM, W 1-5PM, Th 3-5PM
TAX COLLECTOR	M-Th 8 AM-12 NOON + by Appt

9. Initiate Quarterly Tax Billing Cycle

Sherborn’s cash flow is historically tight at the start of the fiscal year, which requires the treasurer to internally borrow from reserve funds to cover operating expenses. However, now that free cash has been reduced significantly, he no longer feels comfortable accessing funds to bridge the gap. As a result, the treasurer was forced to obtain a Revenue Anticipation Note (RAN), at an interest cost of about \$1,000, to cover operating expenses during this low cash flow period.

If weak reserve levels continue, we recommend that Sherborn convert to quarterly tax billing. With collections occurring four times per year rather than two, the community has access to its property tax revenue earlier in the fiscal year. It is then in a stronger cash flow position to meet disbursement demands. It can also eliminate the need for revenue anticipation notes and provide opportunities for increased investment income.

Adopting quarterly tax billing will require advanced planning and additional work in the assessors’ and collector’s offices. For example, the assessor’s property records must be updated in time to generate the commitment for mailing preliminary bills by July 1, while the collector will have additional costs associated with generating and mailing the bills (i.e., bill forms, envelopes, postage) during the two additional tax collection periods. These are relatively small costs, however, which are generally offset by interest income and savings on borrowing costs. Sherborn can also elect to mail the two preliminary bills and actual tax bills together in order to achieve additional cost savings.

To adopt quarterly billing, local officials must seek town meeting authorization by a majority vote accepting M.G.L. c. 59, §57c. In addition, DLS requests a notification of acceptance through a form available at www.mass.gov/dls under Municipal Data Bank > Data Bank Reports > Local Options. At the time of this report, 275 communities, or 78 percent, have adopted quarterly tax billing.

10. Centralize the Collection of Fees & Other Charges

Maintenance of strong cash controls is a fundamental element of any financial accounting system. Stringent cash handling procedures ensure that money is secure and accurately received, recorded and deposited. Upon receipt of payment, staff should issue a numbered receipt to the customer and log the transaction in financial management software or a spreadsheet. Cash should then be held in a secure place, like a locked cash register or safe, until it is turned over to the treasurer's office or deposited directly at the bank.

In Sherborn, more than 20 departments handle money. And, while not all of it is cash, there is always a risk that payments could be lost. Rather than ensuring that proper procedures exist in each of these departments, we recommend that local officials direct the collection of all taxes, fees and other charges through a single office in town hall. In this way, all payments for goods and services can be managed by one office that is well equipped to receive, record and deposit funds. Normally, we would recommend the treasurer's office as the most appropriate place to direct payments. However, in Sherborn, it is less equipped to handle transactions than the collector, who has a service window in a high traffic office on the first floor of town hall.

Separately, we recommend that local officials explore how the town can build out its online payment option, so residents can purchase everything from transfer station and farm pond stickers to building permits and licenses. When aggressively promoted to a sophisticated population like Sherborn, this convenient and secure service would reduce foot traffic in town hall, do away with paper-driven turnovers, eliminate the need to chase down bounced checks, and simplify the reconciliation process.

11. Review All Outside Service Contracts

One of the principal responsibilities of the town administrator as chief procurement officer is to execute contracts for the purchase of goods and services. When drafting these contracts it is important to ensure that the agreement is in the best interest of the town and that the community is adequately safeguarded against any potential liability exposure. In doing so, the town administrator should develop a written agreement that explicitly spells out the terms and conditions of the work being preformed.

After reading through the service contract for the operation of the transfer station, we noted several issues, including unclear definitions of responsibility and liability risks. Out of this concern, we recommend that the town review all current service contracts for conformity with best practice.

To begin, all service contracts should clearly describe the scope of work being performed. Evidence of safety requirements and certificates of insurance must also be addressed with proof of coverage presented to the town annually. Any agreement should also include contact cancellation protocols, as well as any general considerations, such as the ability to subcontract. If the town chooses to use a template to develop these contracts, they should be carefully modified to the particular circumstances and reviewed by town counsel. Once in place and with service delivery underway, the town should establish clear lines of communication and periodically review compliance and performance through regular spot checks. In this way, the town has a process that defines responsibilities, reduces risk, and is in its best interest.

12. Reconsider Limit on Full-Time Employment

In a 3-0-0 decision last November the board of selectmen initiated a hiring freeze on all non-school positions working 20 or more hours per week in the Town of Sherborn. While the merits of controlling pension, health and other post-employment benefits costs, and relieving pressure on the property tax base are understandable, the decision has the potential to be shortsighted.

At issue is the town's ability to attract and retain qualified employees across all levels of government. For these reasons, we recommend that the board of selectmen reconsider their decision, so necessary flexibility can be built-in. In evaluating the decision, selectmen should seek to strike a balance between controlling these costs, with the need to retain qualified employees across all levels of government. Also, a blanket rule that limits hiring to employees who work less than 20 hours per week can have an adverse effect on the ability to get work done. If, for example, a full-time employee retires or otherwise leaves, that role and the work performed by that individual must now be fulfilled by someone who works less hours. Even if the new hire is supremely qualified, the job may not get done. Further still, part-time employees seeking advancement will have to look outside the town, taking their experience and skill sets with them. This puts the town at risk of becoming a revolving door where individuals, trained at town expense, move on to another job for more hours and pay.

While a sophisticated community like Sherborn has been lucky to attract highly qualified individuals on a part-time schedule, this may not always be the case. Therefore, we recommend that selectmen reevaluate their policy on hiring. Looking forward, selectmen should identify what positions might be exempt from the hiring freeze or could otherwise work a full-time schedule. In this way, they can make decisions relative to hiring in a more deliberate and thoughtful manner.

13. Conduct Annual Performance Evaluations

We recommend that local officials revamp the existing employee evaluation program. It is hard to see any real value in the current process whereby employee performance is based on an evaluation grid that offers little to no room for supervisor comments or employee feedback. Also, despite a policy that “All employees of the town shall be evaluated annually in writing by their immediate supervisor,” evaluations have not been completed across all departments in the last year or more.

A well-conceived performance appraisal program is a valuable tool only when it involves constructive one-on-one discussions between the supervisor and employee, and are completed at regular intervals. While assessing an employee’s strengths and weaknesses and correcting any problems are goals, the program should also encourage future performance by setting job expectations and discussing how the employee’s talents can be developed.

To this end, we envision a straightforward approach that measures performance in individual job responsibilities (taken directly from the employee’s job description) against specific criteria. By abandoning the current evaluation grid in favor of a simple three-part rating scale and comments section, the process can evolve into a two-way collaborative effort that recognizes performance, outlines individual goals, and documents any training and development needs. In the Appendix, we provide a sample job duty to illustrate what the form might look like.

14. Update Employee Handbook & Implement Personnel Action Forms

The Town of Sherborn has an employee benefits guide that includes information on compensation, benefits, and terms and conditions of employment, but it has several noticeable gaps. To address these and other issues, we recommend that selectmen direct the town administrator to develop a more comprehensive employee handbook. An employee handbook describes worker rights and obligations through a compilation of detailed policies, procedures, benefits, and resources. These policies should include, but not be limited to, issues of sexual harassment, Whistleblower Act, HIPPA, conflict of interest, ethics, and acceptable Internet and e-mail use. The handbook would also address and set standards on the storage, maintenance and access to personnel files that are consistent with state and federal laws, regulations and town policies. Once complete, employees should be expected to familiarize themselves on the contents of the handbook and acknowledge receipt of it by signature.

We also recommend that the town develop a uniform personnel action form as a record of an employee’s status at hiring and for any subsequent changes. Such a form would document any change to an employee’s personnel file relative to a status or payroll change, and include signature lines for the department manager, and when appropriate, the town administrator. Once complete, it would be placed in the employee’s personnel record. No person would be permitted to enter changes to employee

records without a duly authorized personnel action form signed by the appropriate department manager and town administrator.

15. Streamline Payroll Process

In moving their meetings to Thursday nights, the board of selectmen compelled a change to the timing of payroll processing. Today, time sheets from individual departments are due to the treasurer's office by Wednesday afternoon. At that point, staff reconciles and enters time sheet data into the Harpers payroll system to produce the warrant for the selectmen to sign Thursday evening. Direct deposits are released immediately, but checks to remaining employees are cut and distributed the following Monday, or Tuesday if there is a holiday. As a result, the treasurer is forced to pay employees for time they have yet to work. To alleviate this and other weaknesses, we offer several recommendations below that are designed to streamline the payroll process.

- Convert to a biweekly payroll process. A significant number of communities are realizing the benefits of compensating employees on a biweekly cycle. On alternating weeks, a biweekly schedule for payroll and vendor payments can reduce workloads and free staff for other more mission critical tasks. A biweekly process also reduces direct and indirect costs including staff time and check stock, for example. While it may not be addressed directly in labor contracts, a move to a biweekly pay period is a change in the conditions of employment that will require collective bargaining. In the Appendix, we provide a detailed workflow to illustrate the proposed process.
- Change Board of Selectmen meeting night. By moving selectmen's meetings back to Tuesday nights, the board will allow staff to process payroll without the threat of violating the law. Alternatively, the town could grant the town administrator authority to sign payroll and vendor warrants. Under M.G.L. c. 41, §52A the board of selectmen have sole authority to approve bills for payments. However, Sherborn can file special legislation delegating this responsibility to the town administrator. Model language for the special act can be as simple as, "the Board of Selectmen delegates the responsibility for signing the warrants for payment of town obligations to the town administrator."
- Encourage direct deposit of payroll for all employees. Although any mandate would need to be negotiated through the collective bargaining process, direct deposit reduces the cost of issuing checks, prevents the need to reissue lost checks and simplifies the reconciliation of payroll bank accounts because there are no outstanding checks.
- Explore entering payroll electronically at the department level. By granting remote access to the Harpers payroll program, the town accountant's staff can transition away from data entering departmental time and attendance to spot checking payroll. The town could also revisit using the SoftRight program to process payroll altogether, even though there appears to be hurdles associated with a conversion.
- Discontinue posting payroll withholdings as receipts. In addition to net salary amounts due to individual employees, the payroll warrant identifies the gross amount for employees' federal tax,

state tax as well as for other withholding categories. With approval of the payroll warrant by the selectmen, the treasurer cuts payroll checks for employees, but holds withholding payments until the amounts are approved for release through a vendor warrant. To fund the withholdings expenditures on the vendor warrant, the treasurer makes a corresponding bookkeeping entry that records the withholding amounts as receipts. This unnecessary procedure overstates receipts and expenditures. With approval of the payroll warrant where totals are listed for withholding categories, the treasurer is already authorized to dispense withholding amounts. Payments due on a weekly basis can be distributed. Amounts due at the end of the month can be transferred to an agency account until ready to be paid, or checks can be printed and held. At that time, the treasurer needs no further authorization to issue a check, and no further bookkeeping adjustments are necessary.

16. Track Accrued Sick & Vacation Time

We recommend that the town accountant centralize the record keeping of accrued sick and vacation time. For the purposes of GAAP accounting, the accountant must annually report accrued employee sick and vacation time. Generally completed by the outside auditor, this accounting reflects the obligation of the town to compensate employees upon retirement for all or portions of their sick and vacation time earned, but not taken.

The maintenance of these records at the departmental level represents good practice only if it is uniform and if corresponding data is retained in a centralized location. Otherwise checks and balances do not exist. The absence of a systematic procedure for maintaining these records can also give rise to circumstances where an employee's claim of accrued sick and vacation time cannot be independently corroborated or challenged with credibility. To strengthen internal controls, the town accountant should track running balances of all employee sick and vacation time. One of the means to maintain this information would be through the Harpers payroll software application, which is capable of tracking employee balances. Under this approach, accrued time can also be made readily available to employees on their pay advice, as illustrated in the Appendix.

17. Review & Expand Departmental Procedures Manual

The treasurer and town accountant in 2003 issued a joint financial policies and procedures manual in response to an outside audit recommendation to formalize the various practices in Sherborn. This thorough document provides instruction on various topics ranging from the handling of departmental receipts to payroll to internal audits. We credit local officials for taking the initiative to put this manual together. It is often recommended to the towns by outside audit firms, but rarely carried through to the level we see in Sherborn.

That being said, we recommend that the treasurer and accountant complete a review of the document to see where it might be updated to reflect current or recommended practice. Suggested procedural

changes made in this report would be a good starting point. Additionally, we recommend expanding the scope of the manual to include policies and procedures carried out by the tax collector and assessor. Effective manuals can also include step-by-step instructions for the various financial procedures with computer screen images to assist users.

18. Consider Implementing Purchase Order System

With town meeting approval of the annual budget, department managers are authorized to expend their respective appropriations as of July 1. Checks and balances are built into the verification process completed by the town accountant after goods or services are received, and before invoices are placed on the vendor warrant. The town accountant is responsible for reviewing the invoice and certifying that funds are available to cover the costs, that the purpose is consistent with the intent of the appropriation, and that no fraud is evident. Clarifications can be sought, but if criteria are met, a department manager's spending decision cannot be reversed.

However, if local officials have a desire to track and control spending, Sherborn could implement the SoftRight purchase order (PO) module. A PO system requires departments to receive pre-approval from the town accountant through a requisition request prior to purchasing items or entering into service agreements. Once approved, the funding is encumbered and a purchase order is issued. This formal process enables the town accountant to flag expenditure requests for procurement issues, which would be directed to the town administrator, as chief procurement officer, to verify compliance with state procurement rules under M.G.L. c. 30B.

If implemented, we encourage the town to adopt a minimum PO amount, because requiring a PO for all expenditures can be burdensome on the town administrator and the accounting office. To establish this threshold amount, local officials should review all prior year purchases to evaluate where a reasonable minimum purchase order amount might fall that constitutes review. Our experience suggests that it generally falls between \$500 to \$1000 dollars.

19. Complete Internal Audits

We urge the town accountant to resume internal audits of departmental recordkeeping practices. Performed at regular intervals, internal audits provide assurance that internal controls are in place and that various financial processes are being carried out in an effective and efficient manner. The accountant's own financial policies and procedures manual states that internal audits "help prevent errors or misunderstandings as to what constitutes adequate records" and "helps to ensure that assets and resources of the town are protected."

To revive the practice, we suggest that the town accountant issue a memo to all departments declaring her intent to reaffirm proper internal controls and cash handling procedures through a periodic review of departmental records. The memo, an example of which we include in the Appendix, would be endorsed by the town administrator and members of the financial management team, and identify model practices detailed in the treasurer & accountant financial policies and procedures manual. A link to the manual can be easily uploaded to the town's website as quick reference guide by departments ahead of the audit. Prior to the audit being initiated, the town accountant should prepare a checklist outlining step-by-step procedures on how she will walk through the process.

20. Re-advertise for Auditing Services

We recommend that Sherborn re-advertise for auditing services every five to eight years. As a routine practice, we comment on the number of years that a municipality might contract with or rely on the same outside auditor. The Government Finance Officers Association (GFOA) recommends that communities enter into multi-year agreements with auditors, or a series of one-year contracts, for a term of at least five years. A multi-year agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. However, after this term, GFOA recommends a full competitive selection process and a rotation of auditors after each multi-year agreement. Contracting with a new audit firm cannot only bring a fresh perspective, but reflects good practice.

21. Email Reports

The town accountant regularly issues revenue, expenditure and other miscellaneous reports to departments, boards and commissions across town offices. Reports are generally provided in hardcopy and dispersed through interoffice mail or hand delivered. Moving forward, we recommend that the town accountant send these reports electronically to departments. This cost-effective method would not only reduce or eliminate a paper-driven process, but could be a more convenient way for departments to reconcile reports against their own independent records.

To facilitate this electronic exchange of information, it is our understanding that the town's financial management software application, SoftRight, has a PDF export feature. Reports can also be exported using Excel. In either case, the town accountant would be required to extract the individual department's data and email the reports. Alternatively, the town accountant can provide departments with read-only access to the SoftRight application. In this instance, the town accountant might issue a memo each month along with a reconciliation worksheet instructing departments to review the report for any adjustments within a specified time frame.

22. Eliminate Turnover Lockbox

The treasurer's office regularly receives turnovers of cash and checks for deposit from over 20 different departments that collect money. Outlined in the treasurer/accountant policy manual, receipts along with a report identifying a list of revenue types, corresponding account numbers and receipt amounts ("schedule of departmental payments to treasurer") is required to be sent to the treasurer's office by each department. A copy of the report is also retained by the department, with a third copy sent separately to the town accountant. Departments submitting the turnover can place it in the lock box located on the inside wall of the treasurer's office, in the treasurer's inbox, or on the treasurer's desk. It can also be handed directly to staff, if available. Once received, the treasurer's office proofs the receipt amounts against the turnover report. If staff is not available to issue a receipt, departments are instructed to contact the treasurer's office if one is not received within a few days to confirm that the turnover was not lost.

While we commend the treasurer for developing a formal procedure on the handling of receipts, we make several recommendations to ensure the integrity of financial controls. In accordance with best practice, a staff member from the treasurer's office should always be present to count the cash and checks at the moment receipts are turned over by each individual department. The office would then sign and date all three copies of the turnover report. The treasurer and department submitting the turnover would each retain a copy, with the third signed copy provided to the accountant by the department making the turnover.

To facilitate these changes, the treasurer should eliminate the turnover lock box and adopt fixed office hours when turnovers will be accepted. While we understand a desire to encourage department to make regular turnovers, which the lock box facilitates, allowing cash and checks to be left unattended is not recommended. Any attempt to turn money over outside the advertised schedule should be redirected back to the department. With support from the treasurer, town administrator and other key departments, we are confident this change in procedure would be successful.

23. Close Tax Collector Bank Accounts

We recommend that all bank accounts under the control of the tax collector be closed or custody be transferred to the town treasurer. The collector maintains multiple bank accounts separate from the treasurer for the deposit of tax receipts. Generally, once payments clear, the collector then writes a check in order to turn receipts over to the treasurer. The treasurer is then required to deposit the funds at the bank.

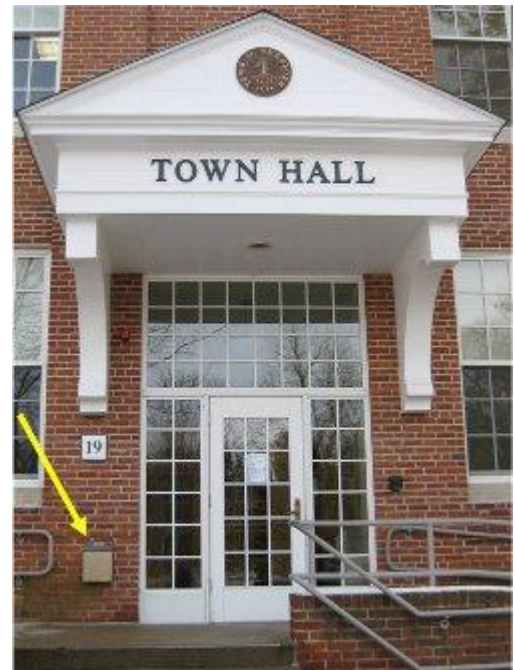
Most likely a remnant of years past when the tax collector would retain fees as a form of compensation, the bank accounts are no longer necessary. In closing or transferring custody, tax receipts would flow

directly to the treasurer when deposited by the tax collector into the town's general depository account. In this way funds immediately become part of the town's general cash flow to generate interest and are in the custody of the town treasurer as required by M.G.L. c. 41, §35. To our knowledge, the tax collector's accounts include Unibank for online payments, Sovereign Bank as a general depository, Middlesex Savings for checking and money market fund, and Bank of America which serves the deputy collector.

Separately, once a decision is made to close or transfer custody of the accounts to the town treasurer, we recommend that the tax collector and treasurer use a check scanner. Available through the bank, a countertop check scanner is merely a device that allows the tax collector and treasurer to deposit funds directly rather than having to physically make the trip to the bank, saving time and money. Local officials should also be aware that there will likely be a fee for the check scanning services, although it would be offset by savings related to labor, travel and other related expenses or indirect costs the town incurs.

24. Replace Payment Drop Box at Town Hall

We encourage local officials to replace the payment drop box located outside town hall. Designed as a convenient method for residents to quickly deposit their tax and other payments, the drop box leaks and lacks proper signage. In partnership with the historic district commission, town officials should install a suitable replacement and signage that is sensitive to the historic character of the property. Local officials might also include a description of the drop box on the tax collector's website. Payment drop boxes range in price from \$150 to \$500 dollars depending on the size and design, although the historic context will likely impact the style and drive up the cost.



25. Place Property Record Database Online

We recommend that Sherborn consider placing its property record database online. Whether hosted through Patriot Properties or the town's own website, enabling individuals to access information online is convenient and helps reduce foot traffic at the assessing office. Not only does this demonstrate a strong commitment to good customer service and outreach, but it allows staff to focus on more mission critical tasks of setting property values and assessing taxes. To our knowledge, Patriot Properties can have the database up and running for a \$2,000 annual maintenance fee.

26. Implement Express Permitting

The building permit review and approval process in Sherborn, like many communities, can take anywhere from a couple of days to several weeks depending on the nature of the construction project. While smaller projects such as a bathroom remodel can be approved quickly, more complex projects involving major structure changes take longer because they involve a review of compliance with state building codes and zoning bylaws, and might need approval from the conservation commission or board of health.

To help streamline this process, Sherborn could adopt express permitting. We see efficiencies in the express permitting process where permits for siding, windows, roofing or other nonstructural related changes can be handled immediately upon submittal and bypassing the comprehensive review by the town's building inspector. In this way, applicants can get started on their projects quickly, while the town can otherwise simplify the building permit process to focus more time and energy on large scale projects. Express permit programs in Newton and Belmont might serve as models for the Town of Sherborn.

27. Explore Opportunities to Improve Information Technology

Consolidate Information Technology: We recommend that budget-makers consolidate all technology-related appropriations, which are currently spread among individual town departments, into a single budget location. There would be separate line items for general operating expenses, contracts and for hardware and software purchases. Major investments would be approved as part of the town's annual capital improvement program. Spending authority would reside with the town administrator, who benefits from a more global perspective of town government, and is in a better position to allocate scarce resources and formulate an overall technology plan for the future. Under this scenario, the town administrator can also work with the school department toward consolidating information technology assets across the community.

Expand IT Network: We recommend that the town connect all stand-alone departmental computers and networks into a wide area network (WAN). Through a WAN, the town can connect office computers from across each municipal building to the centralized file servers at town hall. This would not only streamline the maintenance and protection of computer systems, but improve accessibility to town-wide data and information. For example,

- The town's financial applications allow departments to data enter information electronically, so information, such as receipts, invoices and employee time sheets, would no longer have to be delivered in hardcopy, tabulated manually, and entered in the system. In this way, staff in the town accountant and treasurer/collector offices would be freed up to complete other activities.

- Commonly used information and resources, such as the town's policies and procedures manual, various forms, or outside contracts can be placed in a shared directory accessible to all departments. Making these widely available enables staff to access information without having to disrupt other department operations, and electronic document storage reduces the need for keeping duplicate files in each department.
- Protocols can be established so that all local files are saved to the network, which is backed up nightly. Given some recent experiences in other communities and the importance of the town's data, staff should be discouraged from using their local drives or producing permanent records and time-sensitive reports without saving them to the network.

Adopt GIS Program Application: We recommend that the town invest in Geographic Information Systems (GIS) technology. GIS is a powerful digitally-based tool for storing, analyzing and graphically displaying information relative to the town's spatial and infrastructure assets. As a system, our experience suggests that the real advantage of GIS is in its ability to consolidate information stored throughout various town departments. This not only provides a broad range of offices with a convenient and effective way to record data through a single database, but is a cost-effective means to streamline workflow because users can extract and share information electronically. In addition, an automated GIS system can provide online information to the public, which reduces foot traffic in town hall and also demonstrates a drive to innovate local government.

If adopted, the town's GIS database can include town engineering, utility, planning, emergency management, assessing, conservation, or any other information on the real property, infrastructure or natural characteristics of the town. We do caution however, that converting existing records for use in the database often requires extensive work before benefits can be fully realized. Using and maintaining an up-to-date system will require staff training, and often involves converting existing records and plans into digital format. Nevertheless, if enough key departments would benefit, the cost is justified.

Continue Efforts to Improve Town Website: Two years ago the town's website, www.sherbornma.org, was overhauled in favor of an easy-to-navigate product built by Virtual Town Hall. The site offers visitors a wide array of information, including department contacts, various forms and other useful links. Always a work in progress, we recommend that local officials continue to develop and expand the town's website to provide information that will assist residents and other users of the site. More comprehensive municipal websites from across the state often include detailed statements of department responsibilities, lists of frequently asked questions, monthly revenue and expenditure reports, and current audit findings. We also suggest that Sherborn consider posting streaming video of its various board and committee meetings, and maintain those recordings in a central library. Overall, a comprehensive and up-to-date website would help generate public awareness and confidence in government. In other communities, user-friendly and informative websites have proven successful in reducing the amount of time town employees spend fielding questions in person or on the telephone.

Several municipal websites that might serve as a model for Sherborn include, [Acton](#), [Bedford](#), [Dover](#), [Concord](#) and [Wellesley](#).

Utilize Fully Integrated Software Package: To record and track financial activity Sherborn relies on a patchwork of software and service applications, including Point Software, Patriot Properties, Harpers Payroll Service, SoftRight and Excel. While this type of setup is not uncommon, it is not always the best solution. No matter the comfort level, investing in various software applications that cannot communicate seamlessly with one another, or that require data to be re-entered multiple times, defeats the purpose of technology and wastes time and money. A fully integrated financial management software package like SoftRight is specifically designed to manage all the financial management functions of a community. Because it communicates seamlessly through a network of compatible modules using a single point of entry process, it results in a more efficient and accurate workflow.

Appendix

I. Community Benchmarking Data

DLS sorts comparative community data from the Tax Recap and Schedule A by population, total budget and EQV per capita to determine which communities fall into given peer groups. While Sherborn's income and EQV per capita wealth factors are on par with some of state's most exclusive communities, its population and budget are comparatively small. As a result, Sherborn's community data does not correlate well with many cities and towns that might otherwise be used as benchmarks. Further still, Sherborn's school system is partially regionalized, which directly impacts the cost of education relative to a non-regional or fully regional district because of economies of scale and other factors. Therefore, to more accurately model Sherborn against peer communities across Massachusetts, we provide a comparative data set using population, budget, EQV per capita and bond rating indices.

Municipality	2010 Population US Census	2008 DOR Income per Capita	2010 EQV per Capita	FY2010 Gen. Fund Exp. per Capita	Res. Tax Levy per Capita as % Income per Capita	Bond Rating	Regional School District
BOXFORD	7,965	\$69,823	\$242,425	\$3,134.90	3.94	Aa1	Partial
CARLISLE	4,852	92,848	301,216	4,466.46	4.69	Aa1	Partial
DOVER	5,589	161,017	444,186	4,806.92	2.87	AAA	Partial
HARVARD	6,520	63,718	186,095	3,128.21	3.90	AA	No
LINCOLN	6,362	94,249	316,603	4,198.36	3.92	AAA	Partial
MANCHESTER	5,136	110,964	474,103	4,212.12	3.46	Aa1	Yes
NEWBURY	6,666	42,536	215,505	2,520.35	4.47	Aa2	Yes
WENHAM	4,875	71,665	170,166	2,805.02	3.42	AA+	Yes
SHERBORN	4,119	\$144,438	\$293,540	\$5,288.90	3.33	Aa1/AAA	Partial
State Average	18,654	\$33,654	\$156,493	\$2,700.31	4.70		

II. Revenue & Expenditure Components

Data are gathered and obtained through the Tax Recap that is submitted to the Division of Local Services by Local Government Officials. The graph below illustrates the trend in revenues outside the tax levy.

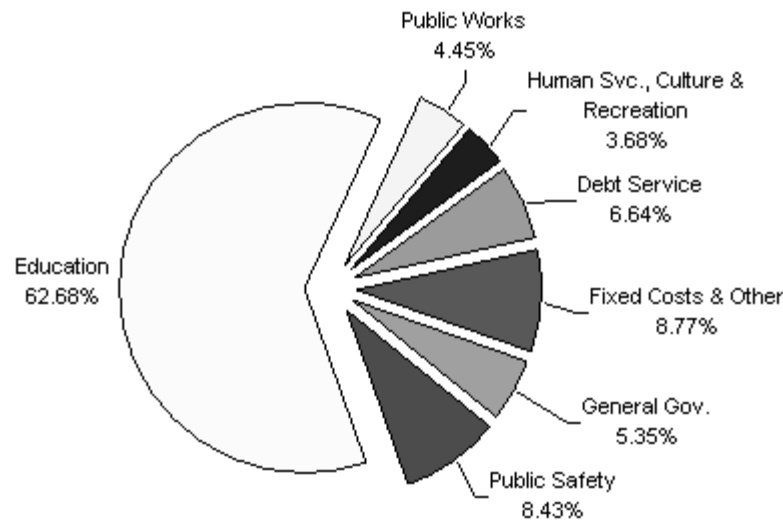
Revenues by Source (FY2002-2012)

FY	Tax Levy	State Aid	Local Receipts	All Other	Total Receipts	As Percent of Total Receipts			
						Tax Levy	State Aid	Local Receipts	All Other
2002	\$12,394,757	\$983,672	\$1,009,000	\$895,558	\$15,282,987	81.10	6.44	6.60	5.86
2003	13,470,757	953,649	1,023,700	1,007,359	16,455,465	81.86	5.80	6.22	6.12
2004	14,409,850	819,372	1,132,322	609,688	16,971,232	84.91	4.83	6.67	3.59
2005	14,950,864	830,967	1,187,200	605,474	17,574,505	85.07	4.73	6.76	3.45
2006	16,426,080	909,418	1,286,600	656,883	19,278,981	85.20	4.72	6.67	3.41
2007	17,854,591	981,486	1,283,980	760,709	20,880,766	85.51	4.70	6.15	3.64
2008	18,397,598	1,065,488	1,320,000	759,593	21,542,679	85.40	4.95	6.13	3.53
2009	19,110,512	1,161,537	1,344,000	1,203,656	22,819,705	83.75	5.09	5.89	5.27
2010	19,435,444	1,041,149	1,103,000	1,196,565	22,776,158	85.33	4.57	4.84	5.25
2011	20,212,241	999,207	985,136	1,384,787	23,581,371	85.71	4.24	4.18	5.87
2012	20,800,537	985,668	1,082,300	1,313,352	24,181,857	86.02	4.08	4.48	5.43

Data are gathered and obtained through the Schedule A that is submitted to the Division of Local Services by Local Government Officials. Expenditures are from the general fund and do not reflect spending from other special revenue, enterprise, capital projects or trust funds.

General Fund Expenditures (FY2002-2011)

Fiscal Year	General Gov.	Public Safety	Education	Public Works	Human Svc., Culture & Recreation	Debt Service	Fixed Costs & Other	Total Expenditures	As a Percent of Total Expenditures						
									General Gov.	Public Safety	Education	Public Works	Human Svc., Culture & Recreation	Debt Service	Fixed Costs & Other
2002	687,175	1,245,794	8,693,414	1,045,089	575,305	1,586,200	975,974	14,808,951	4.64	8.41	58.70	7.06	3.88	10.71	6.59
2003	873,697	1,391,252	9,545,803	1,274,185	611,013	1,646,073	1,076,090	16,418,113	5.32	8.47	58.14	7.76	3.72	10.03	6.55
2004	798,505	1,338,885	9,714,382	1,171,726	612,103	1,503,895	1,180,666	16,320,162	4.89	8.20	59.52	7.18	3.75	9.21	7.23
2005	1,015,433	1,428,030	10,265,967	1,324,443	666,834	1,406,901	1,288,585	17,396,193	5.84	8.21	59.01	7.61	3.83	8.09	7.41
2006	1,033,771	1,504,504	11,360,619	1,212,383	689,680	1,507,271	1,366,855	18,675,083	5.54	8.06	60.83	6.49	3.69	8.07	7.32
2007	1,042,313	1,494,478	12,413,095	1,155,237	742,723	1,351,826	1,573,865	19,773,537	5.27	7.56	62.78	5.84	3.76	6.84	7.96
2008	1,195,137	1,681,295	12,811,602	1,292,286	812,660	1,502,388	1,690,544	20,985,912	5.69	8.01	61.05	6.16	3.87	7.16	8.06
2009	1,162,130	1,629,689	13,055,428	1,229,589	822,041	1,520,436	1,794,701	21,214,014	5.48	7.68	61.54	5.80	3.87	7.17	8.46
2010	1,196,713	1,774,239	13,444,035	1,002,580	842,600	1,437,163	1,862,792	21,560,122	5.55	8.23	62.36	4.65	3.91	6.67	8.64
2011	1,220,776	1,921,250	14,292,059	1,014,856	838,037	1,514,614	1,998,528	22,800,120	5.35	8.43	62.68	4.45	3.68	6.64	8.77



III. Debt Levels (Debt Service & Total Outstanding Debt)

Total Debt Service & Total Outstanding Debt (FY2002-2011)

Debt Service is the repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue. Total Outstanding Debt refers to the remaining principal payments that have not been paid off as of July 1 of the current fiscal year.

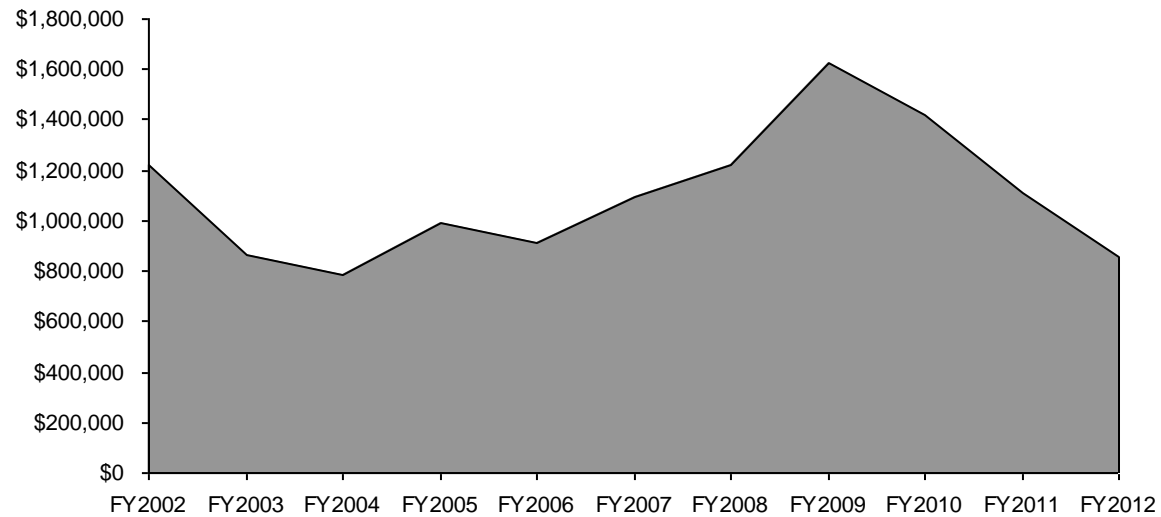
	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Total Debt Service	\$1,586,200	\$1,646,073	\$1,503,895	\$1,406,901	\$1,507,271	\$1,351,826	\$1,729,589	\$1,520,436	\$1,437,163	\$1,514,614
As % of Operating Budget	10.38	10.00	8.86	8.01	7.82	6.47	8.03	6.66	6.45	6.42
Total Outstanding Debt	\$7,930,000	\$11,975,000	\$11,175,000	\$11,157,888	\$10,385,000	\$9,620,000	\$11,388,000	\$10,580,000	\$9,650,000	\$11,085,000

IV. Reserve Levels (Free Cash & Stabilization)

Certified Free Cash (FY2002-2012)

Unrestricted funds from operations of the previous fiscal year that are certified by the Director of Accounts as available for appropriation. Remaining funds include unexpended free cash from the previous year, receipts in excess of estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the town accountant.

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Certified Free Cash	\$1,220,305	\$866,123	\$786,013	\$992,109	\$911,184	\$1,091,933	\$1,218,412	\$1,621,955	\$1,416,779	\$1,109,546	\$854,791
As a % of Operating Budget	7.98	5.26	4.63	5.65	4.73	5.23	5.66	7.11	6.22	4.71	3.53



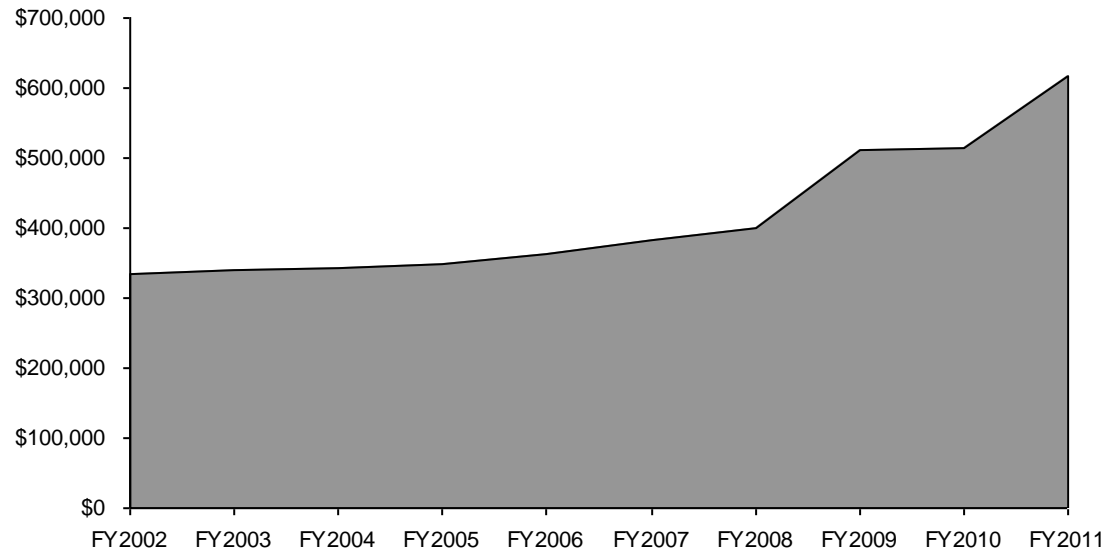
Use of Free Cash (FY2008-2012)

Certified Free Cash as of 7/1	\$1,091,933	\$1,218,412	\$1,621,955	\$1,416,779	\$1,109,546	\$7,313,416
Appropriated at Annual Town Meeting	FY2008	FY2009	FY2010	FY2011	FY2012	Total
Prior Year Bills	2,296	1,384			310	3,990
Supplement Current Year Operating Budget	20,000	278,250	250,000	229,000	225,606	1,002,856
Offset Subsequent Year Operating Budget	162,957	65,749	340,000	487,135	519,016	1,574,857
Transfer to Stabilization Fund			100,000	100,000	100,000	300,000
Property Revaluation	5,479					5,479
Engineer (traffic design & mitigation)	25,394					25,394
Removing Trees	45,000					45,000
Municipal Accounting Software	30,000					30,000
Cemetery Stone Wall Repair & Reconstruction	20,000					20,000
Restoring Memory Statue	5,600					5,600
Mobile Commercial Vehicle Scales	16,700					16,700
Farm Pond Erosion Control	20,000					20,000
Auto Extrication Equipment	11,600					11,600
Fire Supply Hose & Fittings		15,000				15,000
Groundmaster 7210		19,937				19,937
Water Treatment Facility Control Panel		22,500				22,500
Pine Hill Lane Feasibility Study		45,000				45,000
Energy Supply Feasibility Study		5,000				5,000
Affordable Housing Loan Retirement		227,200				227,200
Traffic Mitigation		27,746				27,746
Repair & Maintenance Dry Hydrant System			25,000			25,000
Trash Compactor			20,000			20,000
Catch Basins, Guard Rails, Storm water Rain Garden			18,000			18,000
Ventilation Improvements to Public Buildings			46,000			46,000
23 Washington Street Demo				33,700		33,700
Farm Pond Storm water Erosion & Pollution Control Plan				7,960		7,960
Laurel Farm Recreation Ball Field Study				25,000		25,000
EPA Professional Services				25,000		25,000
Property Re-Certification				12,000		12,000
Acquire CSX Rail bed (Trail)				12,000		12,000
Total Amount Appropriated	\$365,026	\$707,765	\$799,000	\$931,795	\$844,932	\$3,648,518

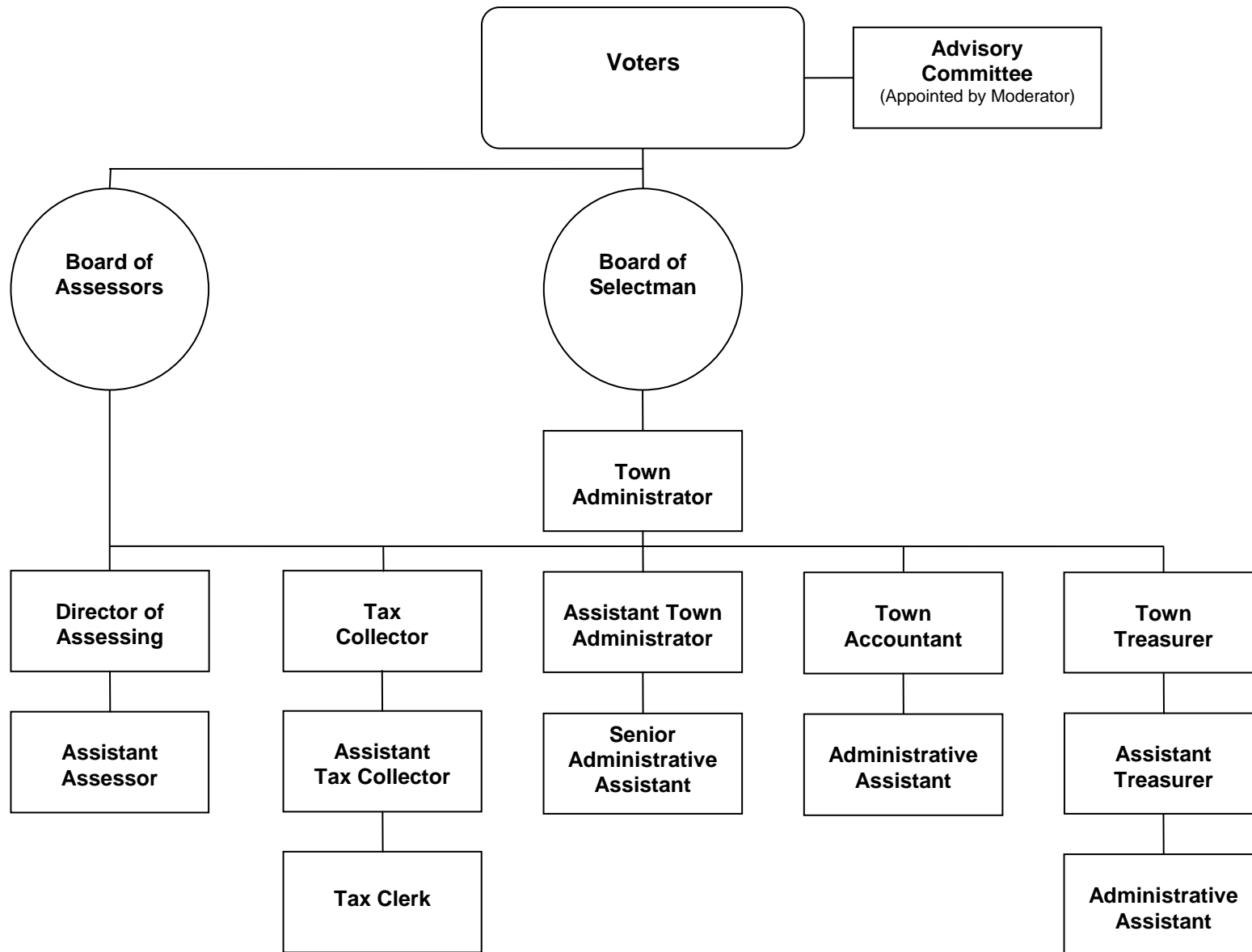
Stabilization Fund Balance (FY2002-2012)

Fund within a municipal accounting system used to accumulate amounts for capital or other future spending purposes, although it may be appropriated for any lawful purpose per MGL Ch. 40, §5B. Communities may appropriate into this fund an annual amount not to exceed ten percent of the prior year's tax levy. The aggregate amount of the stabilization fund shall not exceed 10 percent of the community's equalized value, and any interest shall be added to and become a part of the fund. A two-thirds vote of town meeting is required to appropriate money from the stabilization fund. DLS does not collect fund balances for separate stabilization funds.

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Stabilization Fund Balance	\$333,940	\$338,736	\$342,175	\$349,508	\$364,281	\$384,005	401,221	\$510,016	\$514,239	\$617,487
As a % of Operating Budget	2.03	2.00	1.95	1.81	1.74	1.78	1.76	2.24	2.18	2.55



VI. Proposed Organizational Chart



VII. Procedure & Policy Components

Sample Job Duty

Job Duty #1:

Gathers, prepares and maintains a broad range of complex department related financial and administrative records.

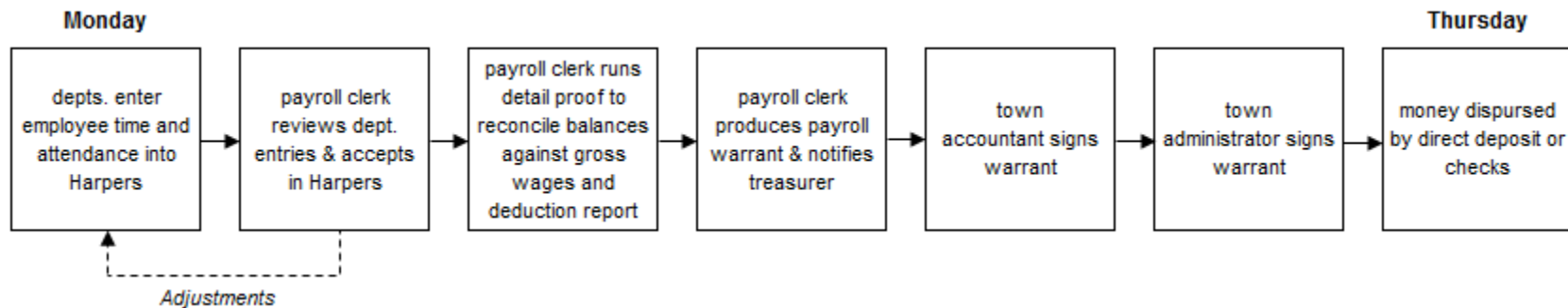
Performance is successful if employee:

Criteria #1 Demonstrates the ability to gather information by examining records and documents
 Criteria #2 Demonstrates the ability to analyze and determine the applicability of data
 Criteria #3 Demonstrates the ability to exercise sound judgment and follow written and oral instructions
 Criteria #4 Demonstrates the ability to work independently and to work on multiple project simultaneously

Review: Meets Exceeds Below

Review Comments:

Proposed biweekly payroll process



Sample Payroll Voucher

Payment Type: Payroll		Pay Begin Date: 2/12/2012		Advice Number: 222555	
Payment Group: Normal		Pay End Date: 2/25/2012		Advice Date: 3/2/2012	
John Doe 10 Main Street Dana, MA 00111	Employee ID: 123456		Tax Data Federal MA State		
	Department: Administration				
	Location: 19 Washington St		Tax Status: M M		
	Job Title: Admin Asst		Allowances: 2 2		
	Pay Rate: 1875.000 Biweekly		Addl. Pct. Addl. Amt.		
Direct deposit is a safe, easy way for you to receive your pay. Your money will be available in your credit union or bank account for use immediately each payday. If you are away on vacation or on the road you will not have to worry about getting and cashing your check. To sign up, see your payroll clerk.					
HOURS AND EARNINGS				LEAVE BALANCES	
Current Pay Period		Year-to-Date		Year-to-Date	
Description	Hours	Earnings	Earnings	Description	Earned Taken Balance
Regular	61.000	1825.000	5625.000	Sick	18.500 14.000 150.000
Sick	14.000	350.000	450.000	Vacation	18.500 0.000 75.000
Holiday	0.000	350.000	350.000	Personal	37.500 0.000 37.500
DIRECT DEPOSIT DISTRIBUTION					
Type		Amount			
CHECK		1245.80			
DEDUCTIONS					
Description	Current	YTD			
MED/EE	15.82	79.10			
Fed Tax	90.23	451.15			
MA St Tax	45.13	225.65			
State Ret	130.02	650.10			
Health Ins	198.00	990.00			
DefComp	150.00	750.00			
TOTAL					
Description	Current	YTD			
Gross	1875.00	9375.00			
Taxes	150.18	750.90			
Deduct	478.02	2390.10			
Net Pay	1246.80	6234.00			

Sample Internal Audit Memo to All Municipal Departments

Town of Sherborn

Memo

To: All Municipal Departments

From: Town Administrator

CC: Town Accountant

Date: April 2012

Re: Internal Audit

Town Accountant Internal Audit

The town accountant will be conducting internal audits of departmental recording keeping practices on a revolving schedule as recommended by the Town of Sherborn's outside audit firm and the Department of Revenue. A detailed description of proper internal controls and cash handling practices can be found in the treasurer & accountant financial policies and procedures manual which is available in online at www.sherbornMA.com, or at the town accountant's office.

The inspection will involve a three part process. First, the town accountant will complete a preliminary survey of the operation being reviewed. This is designed to review department background information, to identify the specific risks and controls associate with that department, and to set up preliminary meetings.

Second, the town accountant will prepare the audit and complete field work. This will be accomplished through a series of interviews with department personnel and a physical inspection of the office where the town accountant will select, analyze and evaluate practices.

Lastly, the town accountant will develop a brief audit report on the department. The report, which will be discussed in a meeting between the department head, town accountant and town administrator, will summarize findings and list recommendation.

Acknowledgements

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

Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

Frederick E. Kingsley, Bureau Chief,
Municipal Data Management and Technical Assistance Bureau

Zack Blake, Project Manager, Technical Assistance Section

Andrew Nelson, Field Representative, Bureau of Accounts

Stephen Sullivan, Certification Advisor, Bureau of Local Assessment

In preparing this review,
DLS staff interviewed and/or received information from the following individuals:

Tom Twining, Chair, Board of Selectmen

George Pucci, Selectman

Paul DeRensis, Selectman

Mark Brandon, Chair, Advisory Committee

Ruth Chamberlin, Former Chair, Advisory Committee

Jim Purcell, Interim Town Administrator

Diane Moores, Assistant Town Administrator

Jeanne Guthrie, Senior Administrative Assistant

Edward Wagner, Director of Community Maintenance & Development

Ruth Hohenschau, Town Accountant

Descom (Pete) Hoagland III, Treasurer

Heather Peck, Assistant Treasurer

Judith Fitzpatrick, Administrative Assistant

Debra Siefiring, Administrative Assistant

Nancy Hess, Tax Collector

Lisa Lynch, Assistant Tax Collector

Yvonne Remillard, Director of Assessing

Elwin Williamson, Assistant Assessor

Carole Marple, Town Clerk