TOWN OF SUDBURY

FINANCIAL MANAGEMENT REVIEW

OCTOBER 2025

DLS

DIVISION OF LOCAL SERVICES

MA DEPARTMENT OF REVENUE

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Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

October 21, 2025

Select Board
Town of Sudbury
322 Concord Rd
Sudbury, MA 01776

Dear Board Members,

I am pleased to present the enclosed report summarizing our financial management review of the Town of Sudbury. The Division of Local Services is committed to assisting municipalities in achieving effective fiscal stewardship, and it is my belief the recommendations presented here will help the community become better positioned for the future.

Please contact me If you have any questions regarding the report.

Sincerely,



Sean R. Cronin
Senior Deputy Commissioner

617-626-2381
croninse@dor.state.ma.us

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INTRODUCTION

At the select board's request, the Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) completed a financial management review for the Town of Sudbury. The review's scope encompassed government structure, fiscal planning, financial policies, information technology, and operational practices in the town's central financial offices.

This is the second study that FMRB has done for Sudbury in recent years, the previous being a review of the town's capital improvement program, which resulted in a report issued in April 2020. To the extent that local leaders have tried to implement any of the report's advice related to capital funding sources, including the tax levy, reserves, and debt, the effects would be gradual. With the passage of only five fiscal years, this report will not revisit any of the same territory, and for the most part it will not include much analysis of fiscal trends. Another reason for this decision is that, in April 2025, Sudbury's finance director issued a 166-page report that presents a comprehensive analysis of the town's finances, budgetary history, and fiscal indicators from the past 10 years to the present.

This review has taken place at a time when there have been several changeovers in positions that play critical roles in shepherding the town's long-term fiscal health and day-to-day finances, starting with the town manager and including the finance director, treasurer/collector, town accountant, and human resources director. As policy officials and the new management team collectively reconsider the established ways of doing things, we present recommendations designed to help them make the most of their resources, guide budgetary planning, and promote prudent financial practices. Foremost among these, we suggest that Sudbury conduct a charter review; expand and revise financial policies; improve internal controls in daily financial operations; and enhance employee development.

Background

A MetroWest suburb of 19,394 residents lying less than 20 miles from Boston, Sudbury is a convenient bedroom community set in a rural atmosphere. Its per capita income of $120,396 and per capita equalized property valuation of $289,287 rank it among the state's more affluent towns. Also elite is the town's AAA bond rating from S&P Global Inc., which it has held since 2001. The firm's most recent ratings report in January 2024, cited the town's "very high" income levels, stable residential property values, and broad, diverse economic environs. Also noted were the town's "strong financial management practices," strong reserve levels, balanced finances, and manageable fixed costs.

In FY2025, the town had a general fund budget of $125M, 87% of which was funded by the property tax levy, with the other revenue sources being state aid at 6%, local receipts 5%, and other available funds 2%. Under the Community Preservation Act (CPA), Sudbury assesses a property tax surcharge at the highest allowable limit of 3% and receives a small percentage reimbursement from the state (18%

in FY2025). CPA revenues, which may only be used to support historic property, open space, recreation, and affordable housing projects, added $9M to the town's omnibus budget. Also separate from the general fund were the town's three, user-supported, enterprise fund operations (pool, transfer station, and field maintenance), which together totaled just over $1M.

The budget supports a range of services typical to similar towns in the state, including full-time public safety departments, consolidated public works, health services, library, council on aging, and recreational programs. The town provides no public utilities, however, and property owners receive water services through the separate Sudbury Water District. Education is by far the town's largest expenditure category, comprising 64% of general fund spending in FY2025. The town operates its own Sudbury Public School (SPS) district for kindergarten through eighth grade students and pays annual assessments for its membership in the Lincoln-Sudbury Regional High School (LSRHS).

Between the SPS and other town departments, the town employs about 200 people year-round, making it the third largest employer in the community, after Sudbury Farms Supermarket (250 employees) and the LSRHS (225). The lack of sewer services is a significant hindrance to greater commercial growth, and there has also been friction at times between those in town who would like to see more diverse, revenue-generating property development and others who would rather preserve open space and recreational lands. There were two large projects, Cold Brook Crossing and Meadow Walk, that had recently been providing multiyear boosts to the property tax levy and building permit revenues. However, those buildouts have now been completed, and no similar developments are anticipated in the near future.

With its limited commercial development, Sudbury must rely heavily on residential property taxes to fund annual budgets. To help ease the burden on homeowners, the town splits the tax rate to apply a different, higher rate to the commercial, industrial and personal (CIP) property classes. In FY2025, this tax rate shift meant that 10% of the total levy was assessed to CIP property owners even though their properties collectively made up only 7% of the town's total valuation.

As inflation and other economic factors continue to drive up fixed costs faster than the revenue growth delimited by Proposition 2½, town officials have been straining to formulate budgets that have long-term structural sustainability, with adequate room for sound reserve levels and capital capacity. For many years, Sudbury's annual tax levy has stayed close to the maximum levy limit

Fiscal Year	Max Levy Limit	Total Tax Levy	Excess Levy Capacity	Excess % of Max Levy Limit
2016	$77,317,863	$76,997,530	$320,333	0.41%
2017	$80,027,697	$79,892,487	$135,210	0.17%
2018	$83,524,281	$83,323,444	$200,837	0.24%
2019	$86,600,617	$86,384,635	$215,982	0.25%
2020	$89,741,650	$89,733,894	$7,756	0.01%
2021	$93,076,677	$92,444,615	$632,062	0.68%
2022	$96,516,552	$95,995,345	$521,207	0.54%
2023	$99,485,516	$99,049,389	$436,127	0.44%
2024	$106,581,243	$105,189,118	$1,392,125	1.31%
2025	$109,658,448	$109,643,754	$14,694	0.01%

allowed by Prop 2½, and its excess levy capacity was virtually nil in FY2025.[1] This means that any significant expansion in the town's budget would require a levy limit override.

On top of the base property tax levy, Sudbury's annual levy includes amounts that have been added to pay off the debt service obligations of capital projects that town meeting and at-large voters approved for debt exclusions. Nine such projects were still being paid in FY2025. In FY2025, Sudbury's average single-family tax bill of $16,343 ranked 13th highest in the state. However, when that amount is measured as a percentage of the average single-family home (1.46%) it was only the 78th highest and as a percentage of the town's per capita income (10.54%), its ranking was at 284.

As officials seek a future in which Sudbury can maximize the efficiency, effectiveness, and accountability of its financial practices and overall management operations, we hope that they consider the advice provided here as a guide. On the following pages, we present our observations and recommendations divided into two sections: Overall Financial Management and Finance Department Operations. As we did for the 2020 Capital Report, in parts of this report, we reference Sudbury's peer communities, a group that was determined based on similarities in size, as well as economic and socioeconomic factors. Refer to the Appendix to see a table listing the peer towns with their comparison data.

[1] On an annual basis, local decision makers determine whether and how much to increase the tax levy within the levy limit, which increases automatically each year by 2.5%, plus an allowance for new growth or other additions to the tax rolls. The difference between the levied amount and levy limit is known as excess levy capacity, i.e., the amount of taxes the town opted not to levy.

Overall Financial Management

The executive branch of Sudbury's government is an elected, five-member select board, while an open town meeting constitutes the legislature. Day-to-day operations are overseen by a town manager, whom the select board appoints to act on its behalf according to duties and authority laid out in *Ch. 131, Acts of 1994: An Act Establishing a Board of Selectman/Town Manager Form of Administration*.[2] As defined by the act, the town manager is Sudbury's chief administrative and financial officer, with overall human resources responsibility and management oversight of all departments reporting under the select board.

The current town manager was appointed in February 2023, following a seven-year tenure as Middleton's town administrator and five years in that role in Townsend. In the three years before his hiring, the select board had become more involved in administrative matters than would be expected in a town with a formally codified strong town manager position, primarily due to the inexperience of the officeholder at that time. However, based on our conversations, select board members have steadily gained confidence in the incumbent's administrative and budgetary skills, which has consequently helped to reverse that trend. In addition, since his arrival, the town manager has successfully navigated through a series of turnovers in managerial positions in numerous departments throughout town. Thus, early on he has gotten the opportunity to assemble a leadership team largely of his own choosing, one that can bring new energies and perspectives to service provision in Sudbury.

The charter authorizes the town manager to "reorganize, consolidate or abolish, create, merge, or divide, alter the term of office, the manner of selection of any town department, office, agency or function" under the position's jurisdiction. A town manager in the late 1990s created a consolidated finance department composed of these divisions: accounting, combined treasury and collections, assessing, information systems, and town clerk. Historically, this department has been led by a finance director-treasurer/collector. The prior person to hold that position worked for the town from 2016 until leaving for another opportunity and was replaced by a highly experienced new director in July 2024.

For many years, the town had an assistant town manager/human resources (HR) director, but the last person to hold that position retired in June 2025. As her retirement approached, a few reorganizing decisions were made. The assistant town manager was detached from HR, and a new HR director was hired. The finance director-treasurer/collector transitioned to become the new assistant town

[2] Throughout this report, we will refer to this special act as the town charter, even though in the strictest technical sense that is a misnomer. M.G.L c. 4, § 7, clause 5 defines a charter as a document "*adopted, amended or revised pursuant to the provisions of M.G.L. c. 43B which establishes and defines the structure of city and town government.*" Sudbury's 1994 act was not done under 43B. However, a special act that establishes a framework of government has equivalent standing to a charter and is also commonly referred to as such.

manager-finance director, and that position now also oversees the veterans services, library, park and recreation, and senior center departments.

In another change, the finance director was detached from the treasurer/collector, and the assistant in that office was promoted to become the new treasurer/collector. To bring added attention to procurement and special projects, a new financial analyst position was created. With the elimination of a vacated, part-time position in the town manager's office, the total full-time-equivalent employee headcount and overall salary costs among these departments remain virtually the same for the new fiscal year. Also, as of this writing, the town has not yet backfilled the vacant positions in the accountant and treasurer/collector offices that occurred when the assistants in each of those offices were promoted.

Sudbury's town charter places into the town manager's hands the authority for managing the annual budget process and devising the operating and capital budget proposals presented to town meeting. As part of the overall process, Chapter 5, Article II of the general bylaws calls for a nine-member, moderator-appointed finance committee to provide an independent assessment of all finance-related town meeting warrant articles. There is also a capital improvement advisory committee (CIAC), appointed by the select board and finance committee, which reviews and makes recommendations to those boards on all capital proposals costing over $100,000 (Chapter 11).

As a practical matter, the town manager has delegated to the assistant town manager-finance director many of the duties related to the annual budget process, such as developing a three-year financial forecast; distributing data and forms to departments for them to reply with their budget and capital requests; and assembling the returned information into a preliminary budget. The two of them then work together through all the steps along the way to the budget presentation at annual town meeting, including meeting with department heads to discuss their needs, keeping the select board apprised of progress and receiving its feedback, and interacting with the finance committee and CIAC.

Following the 2020 Capital Report, local leaders have continued to take a steady, systematic approach to investigating the town's long-range challenges, as well as opportunities. A master plan was done in 2022, and in 2025 Sudbury completed a study of the conditions of its facilities, which should further enhance the quality of capital planning. Every year in September the select board dedicates a meeting to setting fiscal year goals and reviewing those of the prior year. This session is typically facilitated by a consultant from the UMass Collins Center for Public Management. In pursuit of those objectives, as well as others that are perennially part of doing town business, the town manager holds monthly meetings of all department heads to discuss ongoing matters and ensure good coordination of efforts.

Two full budget years have now been completed under the current town manager, and the assistant town manager-finance director has been on the budget team for one. Together, they identified a need

to raise awareness among town officials, and the public in general, of the full range of fiscal trends that inform and constrain budget decisions, and that was a rationale behind the creation of the comprehensive financial report referred to in the Introduction. As a community not prone to burgeoning commercial development and with no major real estate developments on the horizon, the town cannot expect to have budget revenues padded by significant new growth in the tax levy or increased local receipts. This will be one of the biggest challenges for the town going into the future.

Despite the difficulties of sustaining desired service levels within the town's revenue constraints, local leaders have found ways to do that, while making progress in developing and funding the capital plan. They have also wisely continued to make room within budget plans to make sure the town can achieve and maintain adequate levels of reserves to manage a range of risks. As we discuss further on, the town has recently realized some year-to-year increases in certified free cash, largely thanks to revenues that outperformed the town's conservative estimates, along with continued careful management of departmental budgets. To help Sudbury's officials to further enhance efficiency, coordination, and accountability in its financial practices, we offer the following recommendations.

1. Conduct a Charter Review

We recommend the town conduct a charter review. Thirty-one years have passed since Sudbury's first charter was established, and the town has not undertaken any other formal examinations of its governing framework since then. DLS consistently promotes the concept that communities should reassess their government structure at roughly 10-year intervals. This best practice helps ensure that as a town grows, changes, and contends with new challenges, it will not default to a calcified status quo when there may be potential to enhance the effectiveness and efficiency of municipal governance through some thoughtfully considered modifications.

As written, the special act of 1994 is quite extensive and detailed in defining a strong town manager. Beyond delineating the select board's and town manager's respective authorities and defining the manager's specific powers and duties, the act's scope covered just two other areas. It established a consolidated department of public works, and it stipulated the continued elected statuses of the moderator, select board, board of assessors, board of health, school committee, library trustees, planning board, housing authority, and park and recreation commission. Compared to other special acts in the state that establish town structures, Sudbury's lands somewhere in the middle, between a more fleshed out town charter (i.e., one that includes more information about legislative and budgetary procedures, and the roles of additional town officers and boards) and a town manager act that focuses entirely on defining that position.

We recommend the select board initiate a charter review by appointing a charter committee of seven to eleven residents. The appointees should have varying backgrounds and include some individuals

who have served in town government, though we discourage the select board from appointing any of its own members. This would allow the board to retain a responsive, policy-analytical position relative to the committee's progress reports and any end-product document. It is important that the charter committee members approach their work as an open fact-finding mission without any advanced agendas and welcome differing opinions as opportunities to enhance discussion. The select board should set a time frame to complete the committee's charge, such as one year, and require the committee chair to make quarterly progress reports. In carrying out its work, we suggest that the committee do the following:

- Meet with department heads, employees, and appointed officials to hear their perspectives.
- Research and review the charters of similar communities, including the towns in our selected peer group, all of which have charters that have undergone review in recent years.
- Speak with officials from other communities about their experiences with making changes in their local governments.
- Encourage input from members of the community through surveys and public forums.
- Seek assistance from town counsel or a consultant familiar with implementing structural changes in local government, including drafting charters.
- Formally report the committee's recommendations about revising the charter or adding amendments, and if further charged by the select board, draft the text for same.

Areas of discussion for the charter committee to anticipate may include the following:

- Should any elected boards become appointed?
- Should the finance department be formally codified in the charter?
- Should the charter consolidate any other departments? Although, as we noted, the town manager can do this of his own volition, and there may be department consolidations that the community desires to make more permanent through a charter amendment.
- What is the finance committee's role in relation to the budgetary powers of the town manager, and does it have the right membership size for Sudbury? Although a finance committee bylaw exists, it is not uncommon for a town charter to incorporate information on the finance committee's role.

If the committee's work results in the town moving forward to revise or amend the charter, it would then be done through a special act, as with the original, after receiving majority approval by town meeting. Although a special act charter does not also require approval from the town's voters at large to go into effect, as a matter of practice, either the legislature or town meeting almost always makes that a contingency.

2. Conduct a Comprehensive Review of the General Bylaws

As a follow-up to the charter committee, we recommend Sudbury conduct a substantive review of its general bylaws. The bylaws serve as a supplemental document to the town charter, filing in further details about government structure and procedures, while also setting forth local prohibitions. To effectively inform town residents and employees and promote consistent governmental procedures, a community should review its bylaws on a periodic basis. Therefore, even if the charter committee's work does not result in a revised town charter, we still recommend a comprehensive bylaw review.

Accordingly, we suggest the select board appoint a bylaw review committee of three to five people, comprising a mix of residents and town officials. The town recently completed a project to digitize the charter and bylaws, so that they could be made available on the eCode360 platform. That process involved a recodification, which assigned sequential section and subsection numbers to all the bylaws and inserted new placeholder sections for future use. With this logical structure established, bylaw committee members have a good starting framework from which to work.

The bylaw committee's goals should be to (1) remove inconsistencies and clarify vagaries within the bylaws and between them and the charter, (2) modify bylaws as necessary to reflect the town's actual structure and procedures, and (3) propose new bylaws that are informative and directive of the town's existing or desired practices and allowances. For guidance, committee members can examine the bylaws of other towns and seek input from residents, employees, and officials through public forums. A revised code will need to be approved by town meeting and the state attorney general.

3. Adopt Additional Financial Policies

In response to policy-related suggestions in the 2020 Capital Report, the select board formed a subcommittee to draft revised policies and subsequently adopted a new manual covering these topics: Financial Reserves, Overlay, Capital Assets, Forecasting, Debt Management, Investments, and Other Postemployment Benefits Liability. These are among the policies that FMRB considers essential for every community to have, as determined through the bureau's many years conducting financial management reviews. But beyond those fiscal planning topics, there are also some financial operations policies we consider to be just as core to manage risks effectively and promote the town's long-term financial health. We therefore recommend the select board charge the policy subcommittee to expand the manual to include all the core policies we advocate. The table on the next page lists all of FMRB's core policies, with the yet-to-be-adopted topics indicated by italics.

FMRB's Recommended Core Policies

Financial Planning	Financial Operations
Capital Planning	Procurement Conflict of Interest
Debt Management	*Antifraud*
Financial Reserves	*Reconciliations*
Forecasting	*Revenue Turnover*
Investments	*Tax Enforcement*
OPEB	
Indirect Cost Allocation	

As material to work from, under separate cover, we are providing a Word version of sample policy drafts for the core topics. As time goes on, the town might consider adopting other policy topics in addition to those above, such as Grants Management, Employee Reimbursement, or Annual Audit, to provide just a few examples. Samples for those may be found within the manuals that FMRB has created for roughly 40 cities and towns, which are available on the DLS website. Upon request, we can provide the town with any policies in Word format.

4. Refine the Town's Free Cash Strategy

We recommend the town consider revising its Financial Reserves policy to refine the town's strategies related to free cash. Free cash is liable to fluctuate from year to year for a variety of reasons, and when it is certified at a larger amount than the usual trend, it can be helpful for communities to have preestablished, broadly understood plans for the additional funds. Apart from defining appropriate usage, a free cash strategy should also include regular analyses and communication of what lies behind the certification figures, so that policy officials can try to anticipate the occurrence of up or down years.

What is free cash?

Free cash is a term that only exists in the world of Massachusetts municipal finance, and its cynical-sounding label might contribute to the sometimes confusing and contentious debates that take place at the local level about its nature and function. Elsewhere, free cash most closely corresponds to the unassigned, or unrestricted, portion of a government's "fund balance," which is the year-end difference in assets versus liabilities. A government's fund balance is similar to the working capital of a private company; however, the distinction with public sector balance sheets is that they require separate, self-balancing entries to track each fund's revenues and expenditures. Ultimately, unassigned fund balance provides a means to measure a community's fiscal health, particularly in relation to the year-to-year levels at which it is maintained and the ways in which it is used.

To be more specific in a Massachusetts context, free cash represents the remaining, unrestricted funds from the previous fiscal year's operations. It includes the unexpended balance of prior year free cash,

actual receipts that exceeded revenue estimates, and unspent amounts in budget line items. Free cash is reduced by property tax receivables and certain deficits, and it can therefore be a negative number. Before the town may appropriate free cash, DLS must certify the amount based on the town's submitted June 30 balance sheet.

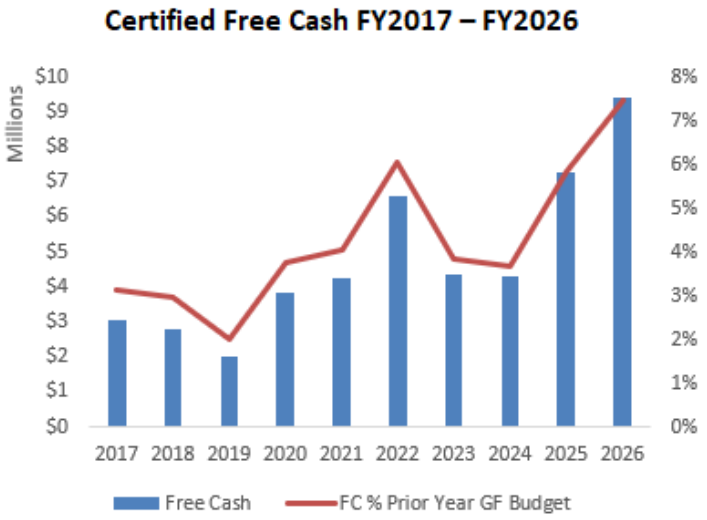
Goals Related to Free Cash

To promote sound fiscal management, there are multiple reasons why a town would engineer budgets to achieve a certain level of fund balance, which may be certified as free cash after the year-end. At the most basic level, local budget makers must be careful to avoid overestimating expected revenues for the new year in all the main categories (tax levy, local receipts, state aid, other available funds) or risk experiencing revenue deficits that could compromise service delivery and the budget's future sustainability. This provides the logic in purposefully underestimating revenue projections by at least a few percentage points. Beyond the need to adequately manage the risk of revenue shortfalls, the other reasons for budgeting with an eye toward fund balance include:

- To maintain a strong fiscal position by having free cash and stabilization reserves adequate to weather negative economic trends and unforeseen circumstances
- To provide a cash funding source for items in the capital plan that are not suitable for bonding
- To ensure sufficient, on-hand cash flow to cover year-round operational expenses despite the inflows from large revenue sources occurring only at specific times
- To obtain and maintain a strong bond rating and thus achieve lower interest payments on bonded capital projects

Statewide and Local Trends in Free Cash

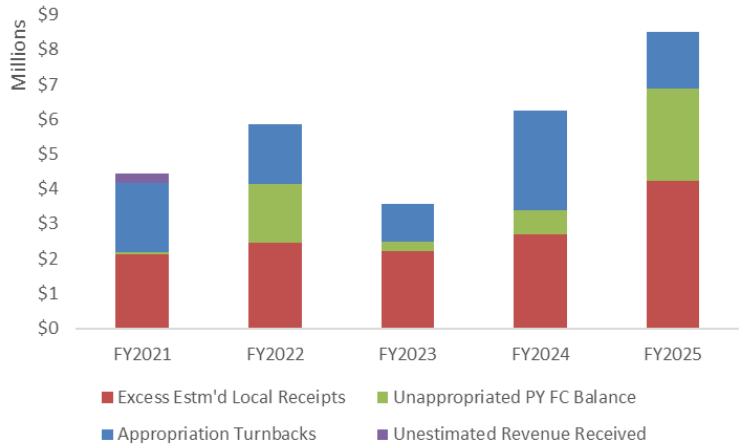
At the statewide level, DLS has observed an overall surge in certified free cash amounts in the last few years. Although not every city and town has experienced significant upswings in free cash, the majority have been seeing increased certifications,[3] including Sudbury, whose recent history is displayed to the right.



[3] See *Another Look at Free Cash* from the June 5, 2025 edition of *City & Town.*

Based on data reported to DLS, investment interest has been the most common driver of the trend in increased free cash among communities around the state. Investment interest is a subcategory of the local receipts portion of annual budgets, and as the chart below shows, excess local receipts was proportionally a high contributor to the free cash increases in Sudbury's certifications in the last two years. Permits constitute another local receipts subcategory, and Sudbury experienced significant increases in building permit revenues largely because of the now completed Cold Brook Crossing and Meadow Walk construction projects. The DLS website provides this reporting tool to query the budgeted and actual local receipts in each category by community and fiscal year.

Free Cash Components, FY2021 – FY2025



Sudbury's Policy

As a prudent provision, Sudbury's Financial Reserves policy restricts the use of free cash to one-time expenditures only, such as capital projects and emergencies. The policy goes on to say that any free cash that is certified at a level above the policy target of five percent of the prior year general fund budget may be appropriated to build reserves or offset unfunded liabilities, or it may be "set aside for existing debt." We advise the town to reconsider that last phrase, as it seems to refer to multiyear debt service obligations, which should be considered as a recurring fixed cost. As such, the town should avoid using free cash to pay so-called "permanent debt" to avoid the potential for creating a structurally unbalanced budget, which could eventually lead to defaulting on the debt.

At the select board's direction, the town manager and finance director have recently initiated a review of the town's financial policy manual, the periodic review of policies being a best practice that FMRB very much promotes. When reassessing the Financial Reserves policy, the town might want to consider adding further text regarding how the town would plan to use free cash amounts that exceed a specified level. Many communities do this by directing certain percentages of the certified free cash to stipulated purposes, such as 20% to deferred capital projects, 10% toward achieving the general

stabilization fund's target level, 10% to unfunded liabilities, and so on. For an example of how this was done in one town's Financial Reserves policy, review the manual that FMRB created for Berlin.

5. Adopt a Policy on Special Purpose Appropriations

We recommend the town adopt a policy to guide the efficient management of special purpose appropriations, and we are separately transmitting to the town a Word version of a sample policy. "Special purpose" refers to an appropriation whose purpose completion time may extend beyond a single fiscal year. Typically, they provide funding for capital projects and are presented to town meeting in warrant articles separate from the town-wide budget article. At fiscal year-end, if a special purpose expenditure is still pending, the town accountant creates a continuing appropriation account in the next year's general ledger to carry the balance forward into the new year's operating budget.

In the new finance director's first year, he identified balances in numerous special appropriation accounts from past fiscal years, which he had to research to determine if their purposes were still pending or if they were only residual balances that should be closed out. Closing out static appropriation balances efficiently helps to ensure that any unused funds can be readily available to appropriate to new purposes or to augment the next free cash certification.

6. Guidance for Departmental Revolving Funds Established Under M.G.L. c. 44, § 53E½

At the annual town meeting in May 2025, voters approved the establishment of three, new, § 53E½ departmental revolving funds, bringing to 25 the total number of such funds in effect for FY2026. Collectively, the total FY2026 spending that town meeting authorized for these funds is $3.5M. As the town continues to manage its revolving funds, and may consider creating new ones in the future, officials must exercise caution to ensure that the funds comply with statutes, their related financial activities are monitored and approved accurately, and they effectively accomplish their purposes.

The programs or services suitable for departmental revolving funds are those the town offers on a discretionary basis. Typically, these programs have expenses that fluctuate with demand but that are easily segregated from other departmental expenses and can be paid for with revenues received and on-hand during the fiscal year. A revolving fund is not appropriate to support nondiscretionary activities that are part of ongoing operations to provide regular governmental or regulatory functions.

Used properly, revolving funds can provide a measure of relief to general fund budgetary pressures because they enable a town to source the financing for certain services directly from the voluntary users of those services. As another advantage, the balance in a revolving fund does not close out to the general fund at year-end but instead carries forward into the new fiscal year. This allows for smooth continuity in managing the given program's cashflow as fiscal years change over.

An excessive number of revolving funds can have some drawbacks, however. They involve extra time and effort, by the department and the accounting office, to correctly identify, track, approve, and report appropriate receipts and valid expenditures as they relate to the fund's authorization. Each one requires a bylaw, which involves some additional documentary efforts (i.e., town meeting warrants, submission to the Attorney General's Municipal Law Unit for review, updating the general bylaws document). Directing certain departmental receipts to a revolving fund decreases the fund balance in the general fund, thus reducing the total amount that can be certified as free cash, which might otherwise be available for other needs.

With all these considerations, the extent to which different towns that provide a similar array of services create revolving funds can vary widely, and it often just depends on the local appetite for them. This is demonstrated in a review of Sudbury's peers, as shown below.

Peer Communities:
Numbers of Departmental Revolving Funds

Town	Acton	Bedford	Concord	Duxbury	Hingham	Hopkinton	Scituate	Wayland	Westwood	Sudbury	Avg.
# Dept. RFs	10	14	5	3	14	20	16	7	14	25	13

Data sources: Each town's general bylaws and/or combined balance sheet submitted to DLS

A revolving fund created pursuant to M.G.L. c. 44, § 53E½ establishes an account separate from the general fund in which are retained the fees charged for a particular service or program to be used to support the same. Revolving fund revenue may be spent without further appropriation. However, a program cannot be supported by a revolving fund unless it meets three conditions:

1. The service or program must provide a specific, tangible benefit to the payer;
2. It must be voluntary - participation cannot be required; and
3. The fee charged must directly pay for the service in the appropriate amount to offset the cost of providing the service.

Based on the language in Sudbury's bylaws and the May 2025 annual town meeting warrant, there appear to be six revolving funds that include revenue streams that are inappropriate for departmental revolving funds, as indicated below.

Revolving Fund	Non-fee-type Revenues
Local Access TV	Fees "and other income collected" It is unclear what these revenues are, and the options for setting aside cable license/franchise fees are either a receipts reserved fund M.G.L. c. 44, § 53F¾ or enterprise fund c. 44, § 53F½. See IGR 2016-102.
Solar energy	Savings from renewables, solar arrays, or similar equipment. Unclear what these receipts are, and also not clear what the supported program or activity is.

Revolving Fund	Non-fee-type Revenues
Forestry activities	"Funds generated from forestry activities" Unclear what these funds are.
Regulation of dogs	Fines and penalties imposed under bylaw Ch. 117, Art. II. Fines and penalties are nonvoluntary, and they have a regulatory purpose.
Cemetery	"Sale of lots and other fees" Revenue from the sales of cemetery lots must be directed to a receipts reserved account under M.G.L. c. 114, § 15.
Public Health (new for FY2026)	"Revenues from the public health excellence grant and other shared services fees." True grant monies must be deposited in a dedicated grant account, M.G.L. c. 44, § 53A. However, it seems likely this is more of a shared service agreement, in which case, the revenues should be directed to the general fund. The payments from the other accounts would be estimated receipts, and the town should budget the entire cost of the operation through the annual budget.

In light of the above, we advise the town manager and finance director to reexamine all the town's revolving funds. For any found to be inappropriate under § 53E½, the accountant must treat the program receipts as general fund revenue unless a different treatment applies under another statute. The town manager would also need to submit a warrant article to update the town bylaws.

We note that Sudbury has two valid fee-for-service revolving funds even though their listed revenues do not say "fees." In both cases, the indicated receipts are, in effect, fee reimbursements from third parties; namely Medicare/Medicaid and MassHealth for the Vaccinations revolving fund and Metrowest Regional Transit Authority for Council on Aging Van Transportation. Also allowable are the revenues from "fines" in the Library revolving fund because their purpose is to replace books rather than being regulatory.

More information about departmental revolving funds can be found in Informational Guideline Release 2021-23.

7. Annually Review Fee Schedules

We recommend the finance director review the town's various fee schedules on a staggered, annual basis. Based on our conservations, the town has not had a standard routine for periodically reassessing service fees, and therefore, sometimes many years have passed between updates.

The director should work out a schedule to ensure that every program that charges a fee(s) is reviewed at least once every three years. This rotating schedule will help make sure that all fees stay aligned with inflation and any other conditions that impact a particular program's service cost. At the same time, other tasks associated with fee updates, such as bylaw revisions, can be broken up into separate years as well. The review of fees should be done in the preliminary stages of the budget process and involve a fresh calculation of each program's expenses and a survey of the fees assessed for the same programs in other communities for benchmarking purposes. Furthermore, the town should be aware

of the ruling in *Emerson v. City of Boston, et al (391 Mass 415)* that a municipal fee must reasonably reflect the cost to provide the service to which it applies.

If the town wants to ensure that its three enterprise funds are truly self-supporting, the review of their fee schedules must take into consideration each operation's indirect costs attributable to the general fund. It can be challenging to identify all types of these indirect costs and to determine the appropriate method for calculating each one, and this is why we consider Indirect Cost Allocation to be a core policy topic. It is our understanding that, in the past, certain types of indirect costs may not have been captured, like the enterprise funds' proportional costs for some town-wide vendor contracts, for instance, or the enterprise-related work performed by certain non-finance-department staff, such as the town manager. In addition to indirect costs, enterprise fund fees should factor in the need to generate a surplus (or retained earnings) to support current and anticipated capital projects or to cover a revenue shortfall.

8. Improve Communications in the Annual Budget Process

We recommend the town adopt some new protocols to enhance communications related to the annual budget process. Specifically, we suggest the town manager and finance director incorporate into their annual budget calendar a joint meeting of the select board, finance committee, and school committees to kick off the process for the new fiscal year. At this meeting, they would present fiscal trends and challenges and also review key guidelines and goals laid out in the town's fiscal planning policies. These meetings would enable these policymaking bodies to hear and discuss critical information at the same time, which may help prevent misunderstandings as the process moves forward. Communications would also be enhanced through quarterly budget reports to the select board and finance committee, which we detail further in the next recommendation.

We believe that instituting these new practices can help the finance committee in fulfilling its role. Among very small and traditional towns in Massachusetts, it is not that unusual to find the local finance committee coordinating or even finalizing the annual budget proposal. But as modern, larger, and more complex communities have justifiably transferred that budget leadership to full-time, professional managers, finance committee members can have difficulties in defining their mission and understanding how the committee can best add value in service to the town. The specific details of exactly how a finance committee participates in the annual budget process will be different in every town, but success in the process often depends on how information is circulated, including the degree of awareness of financial policies and ongoing fiscal trends.

What is important in any town is for the finance committee to understand its crucial role in being an instrument to ensure an open, transparent budget process. When reviewing a budget proposal, the committee should probe the rationale behind the town manager's decisions to assess their adherence

with the town's adopted financial policies and consider any future ramifications as well. Sometimes this leads to a back-and-forth that helps the town budget team to better hone its message and present its justifications. In its formal report to town meeting, the finance committee can also comment on the degree to which the operating and capital budget proposals reflected the provisions for their development as laid out in either charter, bylaws or formally adopted procedures.

By actively seeking the information to understand the town's fiscal challenges, in context with long-term goals and ongoing operations, as well as the nature and purpose various appropriations, committee members can also make well-informed decisions on managing the committee's reserve and its duties related to approving year-end transfers. The fulfillment of these aspects of the committee's role is thereby a true extension of its mission to act as a watchdog for the interests of town meeting because it helps ensure that the will of the voters does not get compromised later in the year.

9. Produce Quarterly Budget Reports

We recommend the finance director produce quarterly budget reports and present them in budget update meetings to the select board and finance committee. With data that benchmarks year-to-date revenues and spending against adopted budgets, decisionmakers are informed of any evolving financial challenges or positive developments that warrant their attention. These reports create opportunities to make adjustments if revenues are not hitting expectations or departments are spending more than expected. The finance team should collaborate to create the reports each October, January, and April using the latest quarter-end Munis data and any pertinent operational information from departments heads as well. The report should present:

- Expenditures: Departmental budgets by line-item juxtaposed with YTD expenditures and projections of positive or negative year-end balances.
- Revenues: YTD receipts by revenue category juxtaposed with budgeted estimates, actuals from the prior year through that quarter, and refreshed projections through year-end.

To be most effective, the report should include projections for each fund type (i.e., general, capital, enterprise, revolving, grant, trust, and special revenue). The finance director should include explanations of the fiscal picture, including any issues that could cause budget deviations. Bar charts with paired columns of YTD estimated and actual amounts for revenues and expenditures by category will show progress through the year and highlight any potential impending issues.

FINANCE DEPARTMENT OPERATIONS

The consolidated finance department includes five divisions or offices. While the scope of this review did not include the town clerk's office, below we provide a summary of the current staffing within each of the other four divisions. Except for the board of assessors, all of the employees work full-time.

Accounting**:** This office has a staff of three, including the town accountant and two accounting assistants, one focused on processing accounts payables (AP) and the other on payroll. There is a vacant assistant accountant position.

Treasury/Collections: This office consists of a treasurer/collector, assistant treasurer/collector, and a department assistant, with one vacant department assistant position. A large portion of the processing of motor vehicle excise collections is outsourced to a lockbox vendor, and the office also contracts with a deputy collector to pursue enforcement of delinquent motor vehicle excise accounts.

Assessing**:** A director of assessing oversees the office's daily activities and manages two staff members, an associate assessor and an assessing analyst. The vendor Regional Resource Group, Inc. (RRG) performs a substantial amount of the office's valuation work. To make the various approval decisions called for in state statutes, there is also a part-time, elected, three-member board of assessors, which meets monthly.

Information Systems (IS): An IS director supervises an assistant IS manager and a web developer/systems analyst. This office manages all the town's technology needs, including network infrastructure, cybersecurity, data backups, hardware and software procurements, and user support. Except for the SPS central offices, which are located in a building on the town hall campus, the office's scope of responsibilities only includes town-side departments, with an SPS employee handling the IS needs of the local school district.

Sudbury's town-wide financial management software system is Munis, a Tyler Technologies product.[4] The town also employs a few software products from other vendors to manage some key financial functions that are not currently done in Munis. The town had formerly used the Munis payroll module to complete all aspects of payroll processing and leave time management. About two years ago, the decision was made to contract with Harpers Payroll Services, Inc., to do this instead, through its PayrollForward application.

Within the marketplace of municipal financial management software systems, Munis is one of the more prominent options in Massachusetts, particularly among larger, more complex municipalities. It is notably more expensive than the other competitors in the state as well. Its regional prevalence is helpful when recruiting for vacant positions, and many communities justify the higher contract cost based on this factor in combination with the system's level of features and capabilities. Having had

[4] Since 2022, this product's official name is Enterprise ERP; however, as do most communities in the state, Sudbury still refers to it as Munis.

Munis for many years, however, Sudbury has been slow to maximize its full potential. Within the suite of Munis modules that the town already pays for are unimplemented functions that would streamline procedures without compromising internal controls, and we discuss them further in our recommendations in this section. The table below presents the various software products currently implemented in Sudbury and how they are being used.

Sudbury's Financial Software

Software Product	Used By	For These Functions	Does a Munis ERP Option Exist?
Munis	Accountant	▪ General ledger ▪ Create vendor and payroll warrants	
	Treasurer/ Collector	▪ Control records for accounts receivable (property tax and motor vehicle excise) ▪ Record treasury receipts	
	Assessors	▪ Record tax and excise abatements	
	SPS & Town Departments	▪ Review dept's budget status ▪ Create requisitions and purchase orders ▪ **SPS, police and treasurer/collector depts only**: data enter accounts payable invoices	
	Town Manager, Finance Director	▪ Review global budget status ▪ Assemble data for forecast projections and annual budget process	
QuickBooks	Treas/ Coll	▪ Maintain cashbook	Yes
Harpers PayrollForward	SPS & Town Departments	▪ Data enter payroll reports	Yes
	Accountant	▪ Process payroll ▪ Track leave time accruals and usage	Yes
MS Excel	SPS & Town Departments	▪ Create triplicate revenue turnover form ▪ Some departments: create batch cover sheets for submittals of AP invoices	Yes
Catalis	Assessors	▪ Maintain computer-assisted mass appraisal (CAMA) database	No*

** Although Tyler has a CAMA product, it is not included as part of the Munis ERP contract, unlike the other functions noted within this column.*

Since FY2017, Sudbury has contracted with Powers & Sullivan LLC (acquired by CBIZ, Inc. in late 2024) for annual audits of its financial reports. In recent years, the firm has not issued any management letters in conjunction with its audit reports. Although CBIZ is contracted to do the FY2026 audit, the town intends to conduct a new procurement process for FY2027. This is an apt decision given that periodically seeking out new auditors can gain fresh perspectives for the town and foster greater

independence, which is why it is promoted as a best practice by the Government Finance Officers Association.[5]

In just his first year, the finance director[6] and his team completed an impressive number of projects, some of which involved identifying, prioritizing, and resolving longstanding issues in the finance department. As already mentioned, he put together the comprehensive financial analysis report and researched and resolved static balances in various old special article accounts. There was also a project to address the town's large inventory of neglected tax titles, which has borne fruit in the form of payments. New procedures with more aggressive timelines to secure future tax takings and add subsequent taxes have now been established as well. The finance director worked with town counsel to overhaul procurement procedures and create a new template for contracts. The finance team also completed a successful conversion of the leave time tracking database from Munis to PayrollForward.

Beyond all the energies involved with the targeted projects accomplished during the past year, other challenges for the new finance director have included learning Munis, which did not exist in his prior municipalities, and managing through staff transitions. Two out of the department's three finance office managers, the town accountant and treasurer/collector, have been newly promoted to their roles, and there are vacant positions for which the town may hire in the coming months. With the town also having a new HR director, this presents an especially good time to reconsider the individual task assignments of all the finance employees. Our review revealed that there are opportunities to increase process efficiencies in the department and town-wide, to reconfigure some duties to improve internal controls, and to amplify employee professional development. The following recommendations were designed with all these goals in mind.

10. Transfer Payroll Processing Duties to the Treasurer/Collector's Office

To ensure compliance with related statutes, we recommend reassigning payroll processing duties to the treasurer/collector's office. Although Sudbury's accounting office has been processing payroll for many years, the General Laws are explicit in assigning to municipal treasurers the sole responsibility for accurately deducting a range of payroll withholdings (M.G.L. c. 44, § 67; c. 44, § 67A; c. 180, § 17A, 17B, 17D, 17H, 17I, and 17J). The legal liability for properly performing these actions thus rests with the treasurer/collector, but the position in Sudbury lacks the agency to do so under the town's current procedures. Presently, the treasurer/collector's only payroll-related duties are making bank transfers to fund the warrant and subsequently initiating the disbursements.

[5] https://www.gfoa.org/materials/audit-procurement

[6] For simplicity, throughout the remainder of this report, we will refer to assistant town manager-finance director as finance director.

This change would also improve internal controls. Divorcing the accounting office from playing an active hand in payroll processing tasks puts it in a more viable position to audit payroll activities. The process to assemble a vendor warrant is inherently different from payroll because in that case, the financial activities related to the items submitted for warrant inclusion (i.e., procurement; purchase; receipt of service or item; and receipt, tracking, and submission of invoices) have already occurred at the department level, outside of the accountant's office. We also note that the responsibility for creating employees in PayrollForward and for making changes to pay rates and adding bonus pay, such as longevity, are other incompatible duties that currently reside within the accounting office.

Per M.G.L. c. 41, § 56, a town accountant shall "examine" all "bills, drafts, orders and pay rolls" to determine whether specific items should be approved for the warrant or disallowed. A rejection should be based on either the item being unlawful (i.e., it disagrees with the purpose of the appropriation, or it contravenes one or more statutory provisions, such as those in the Uniform Procurement Act, for example) or excessive (i.e., the item exceeds the amount appropriated or the terms of a contract), or because there is an indication of fraud. This change in procedures would have no effect on the town accountant's ability to perform this review, which would now be based on a payroll warrant created and submitted to the accountant by the treasurer/collector.

In Sudbury, employee time and attendance data is entered into PayrollForward by staff within town departments, and department heads submit printed-out, signed summary reports to the accounting office. The rest of the process unfolds as follows:

> The PayrollForward data gets reviewed by an accounting department assistant, who checks for any issues with the accounts being charged, significant changes in payouts, or discrepancies with the departments' printed reports.
>
> Next the assistant creates a preprocess register (like a prefinal warrant), as well as vouchers for all the withholding payees, and provides them to the accountant. She also records the withholdings data in a spreadsheet for tracking and audit purposes. (Along with the actual disbursements, these are the key parts of the process that come under the statutory purview of municipal treasurers.)
>
> The town accountant reviews the preprocess report, and after she approves it, it goes to the town manager for review and approval. A copy of the finalized warrant signed by the accountant and town manager is given to the treasurer/collector, who does a bank transfer to the payroll pass-through account in the warrant amount. The accounting department assistant then uploads the electronic warrant file from PayrollForward to the Munis general ledger (GL).

Under the procedural changes we recommend, the process would happen in much the same fashion, except:

(1) Departments would submit their payroll reports to the treasurer/collector's office and duplicates to the town accountant.
(2) The duties performed by the accounting department assistant would be done by an assigned employee within the treasurer/collector's office, with another employee trained to provide back-up. The exception would be uploading the PayrollForward warrant file to the Munis GL, which would be done by the accountant upon receipt from the treasurer/collector's office.
(3) The treasurer/collector would review and approve the preprocess register and vouchers before providing them to the accountant.
(4) The accountant would compare the documents from the treasurer/collector and the department summary reports before approving the warrant and uploading it to Munis.

Obviously, this recommendation cannot be accomplished overnight since it will necessitate changes in either employee titles, office assignments, job descriptions, or all of these. Regardless, we believe that it is worth doing as part of overall fresh analysis of the way financial responsibilities are configured among all finance department staff in order to improve internal controls and adhere with statutes.

11. HR Department Create New Employees in PayrollForward

If and when the town moves to act on our prior recommendation, we also suggest that town management consider assigning the HR department with the responsibility for maintaining the master file of employees in PayrollForward. The rationale for this is that the office responsible for disbursing payroll should not also have responsibility for creating new employees in the system. This duty could be assigned to the HR benefits coordinator, with the HR director trained to provide back-up for her. Another benefit of this change is that related confidential employee forms would not have to be copied and stored in two places, which increases the risks of improper disclosures.

Under an ideal control structure, HR staff would also exclusively have system profiles that can edit pay rates or add any longevity or other bonus payments. However, the regular complexities in ongoing municipal payrolls, combined with limited staffing in the HR department, might make it impractical to shift those responsibilities. As a compensating control in that case, the finance director should, at least quarterly, review system reports for any changes in active employee lists and all increases in pay.

12. Restrict Munis General Ledger Access to Accounting Staff Only

We recommend revising the Munis user profiles of treasurer/collector employees to turn off all edit permissions connected with the general ledger (GL). M.G.L. c. 41, §57 assigns the town accountant the responsibility to maintain a complete, accurate, and up-to-date record of the town's appropriations, expenditures, and revenues. This obliges the accountant to maintain an independent book of record (i.e., the GL) that only she and members of her staff can access. Only by keeping a complete separation

of the financial recordkeeping done by the accounting and treasurer/collector employees can true account reconciliations occur between the two offices.

The profiles of all the treasurer/collector employees should be updated so that they do not have access to the command button that is the last step in their current procedures for recording collections and turnover revenues in Munis -- and which has the effect of posting the revenue data to the general ledger. Instead, this user permission should only be associated with the user profiles of the accountant and a back-up in her office. In addition, on a weekly basis, the treasurer/collector should provide the accountant with Munis summary reports of her office's turnover and collections batches.

After implementing these changes, the accountant would review the batch data entered in Munis and compare it to the treasurer's schedules and the reports received independently from departments. When the accountant is satisfied, she would execute the command to post the data to the GL. The Revenue Turnover policy included in the sample policy manual we are providing to the town reflects these procedures as well. The IS manager could consult with the town's Munis representative for help in properly configuring Munis user profiles to implement this recommendation as well as the next one.

13. Decentralize Munis Data Entry

We recommend Sudbury initiate a project to transfer the responsibility for the initial entry of invoice and receipt data in Munis away from the accountant and treasurer/collector offices, respectively, to the originating departments around the town. By design, Munis allows for a flow of data between offices from various origins and system functions, to eventually funnel it into the general ledger. Our experience has shown that the communities that broadly decentralize data entry tasks out to the department level exhibit greater overall efficiencies in everyday financial tasks. The dread of a trial-and-error transition period can make towns reluctant to initiate this change. But ultimately it is worth the pursuit, and it seems that most Munis communities get there eventually. With this in mind, we recommend the town implement the following procedures.

Entry of Accounts Payable: As the police, treasurer/collector, and SPS departments already do, the rest of the departments in Sudbury should enter invoice data in Munis. After a departmental employee enters an invoice batch in the system, the department head reviews it along with the actual invoice(s), and when validated to be correct, approves the batch with an electronic signature. The department head should also add a wet signature to the original invoice(s). These would be submitted to the town accountant's office, along with a printout of the Munis batch report as a coversheet, and photocopies of the originals retained on file in the department. Alternatively, the department could scan the invoices, attach them to the Munis batch, and retain the originals on file in the department for the audit retention period. The accounting office would review the invoice entries and their back-up documents for accuracy and compliance before adding the data within Munis to a vendor warrant.

Entry of Receipts: Similar to initiating the vendor warrant at the department level, designated staff in each department that receives payments could be trained to enter payment data in Munis. Three printouts of the entered Munis batch would become the new turnover forms to be signed by the department head and presented to the treasurer/collector, along with the receipt(s) themselves, thus eliminating separate data entry in Excel by departmental staff to create these schedules.

Departmental staff would deliver the physical receipts (checks and cash) to the treasurer/collector's office with the Munis reports. Treasurer/collector staff will verify the turnover package received from the department and sign for it when accepted. Treasurer/collector staff would then review the data in Munis and ensure it is the same as the printed turnover before releasing the batch in Munis, for the accountant's review. Sudbury's procedures should require departments to deliver copies of accepted turnover reports to the town accountant as dictated by MGL c. 41, § 54. Using the reports received from the departments, the accountant should match their turnover information with the related Munis batch before accepting the data into the general ledger.

We suggest implementing these Munis workflow changes gradually, department by department. Although it will initially involve more diligence by finance department personnel to manage input errors, with a strong commitment from town management to see it through, Sudbury can become like so many other communities for whom these practices are routine.

14. Convert to the Munis Cashbook

After the Munis user profiles have been appropriately revised and the new decentralized data entry processes are working smoothly, we suggest that Sudbury consider replacing the current QuickBooks cashbook with the one already provided in Munis. The revenue data entered into the Munis Payment Entry module, once accepted by the treasurer/collector's staff, automatically carries over to the system's cashbook. Therefore, this change will streamline recordkeeping by eliminating a dual data entry task while also preventing an additional opportunity for human error. Furthermore, the town accountant could be given view-only access to the Munis cashbook to facilitate general ledger reconciliations.

15. Improve Controls Associated with the Treasurer/Collector's Safe and Checks

We recommend the town improve controls over access to the treasurer/collector's safe and checks. The employees of the accounting and treasurer/collector divisions do not have separate offices but instead occupy a single shared area, an arrangement that is unusual and less than ideal. If at all practical, the town should consider relocating one of these divisions to a different part of the building.

Until that happens, the town should establish new protocols that restrict the accounting employees from having any access to the treasurer's safe.

A digital image of the treasurer/collector's signature is stored in Munis, and we were told that the accounting staff can run check printing jobs, based on the approved warrants, using the check stock taken from the safe. M.G.L. c. 41, § 35 designates the treasurer as the official given "charge of all money belonging to the town." It is therefore appropriate that blank check stock and any printed-out checks should be in that office's secure custody until its employees mail them to payees. Besides the blank check stock, there is a problem with non-treasurer/collector employees being able to access a safe that is used to store received cash or checks that have not yet been deposited.

If the town wants to have the town accountant involved with the production of checks, as a check-and-balance with the treasurer/collector, a procedure we have seen in some communities involves the treasurer/collector releasing to the accounting department only the specific number of requested checks necessary to cover the warrant. The accounting department then returns the printed checks to the treasurer/collector's office for staff there to review against the signed warrant, by amounts and payees, before mailing them out. Furthermore, check-printing jobs should only happen after the warrant has been approved by both the town accountant and town manager.

16. Implement Remote Bank Deposits

Sudbury still delivers checks to the bank for deposit at a time when most towns of similar size take advantage of remote deposit capture machines, which banks often provide at no additional cost. While the machines may not be glitch-free, their popularity would seem to indicate they provide an overall increase in efficiency, as well as other benefits. This tool would eliminate the tasks of manually writing out, and retaining copies of, deposit slips, and it creates immediate, digital images of both sides of the scanned checks, viewable by office staff within the related bank app and website. Once scanned, the physical checks should be retained in a locked cabinet until the expiration of the retention schedule, and the town could also inquire with the bank to see if it includes a shredding service at no or low cost.

17. Enhance Cross-Training within Divisions and Foster Professional Development

Based on our conversations, it appears that Sudbury would benefit from pursuing a more proactive and systematic approach than has existed in the past to develop the knowledge and skillsets of its finance department employees. This is important to promote effective operations in general but also as a strategy for future succession planning, considering that most of the finance division managers are at or nearing the traditional age for retirement. By investing time, energy, and funds, the town can better assure service continuity, delegate tasks appropriately, and plan for employment transitions. To these ends, we recommend the following:

Inventory divisional tasks and assignments: Through a combination of existing job descriptions and conversations with divisional managers, the finance director should compile a top-to-bottom inventory of all the tasks that must be completed to achieve each division's objectives, along with the skills and knowledge needed to perform them. He should then map out a hierarchical, interdivisional structure for carrying out these tasks, taking into consideration the related recommendations we present in this report.

Assess employee competencies: The director should meet with employees individually to discuss their present skills and knowledge gaps to get a clear picture of training needs. The director should review information gained through this process against the inventory of tasks and assignments to ensure that there will always be at least two staff members competently trained to carry out each task and thereby avoid any single-point-of-failure liabilities. To address any discovered gaps, the director should instruct division managers to schedule time for on-the-job task shadowing, as well as duty rotations.

Encourage active participation in professional organizations. Within Massachusetts, there are professional organizations related to each of the finance divisions.[7] These groups all run annual conferences, or "schools," to provide ongoing education. They include courses geared toward attaining certification in the given statutory position but also lectures on changes in the regulatory or economic landscapes and emerging practices on how to do jobs better. By attending these conferences and other trainings, participating employees can gain concrete, functional information, hear about new practices developing in their fields, and interact with peers to exchange practical tips. In turn, they can pass knowledge on to their coworkers as well.

We encourage Sudbury to pursue a policy of sending at least one person from each division to each conference annually. It is particularly important for the department assistants to work toward their certifications, to enable them to perform their supervisor's critical tasks during absences and to potentially step into a vacated role when managers leave town service.

18. Develop Plans to Enhance the Assessing Department's In-house Capacity

We recommend the finance director develop plans to gradually reorganize the assessing department's operations to decrease the range of activities being completed by consultants in favor of in-house staff. Sudbury has had a service contract with RRG for the last 12 years, a period coinciding with the time since the current assessing director was appointed. And the town just signed a three-year contract renewal with RRG effective through FY2028. We believe that, with proper planning, training,

[7] Massachusetts Collectors and Treasurers Association, Massachusetts Municipal Auditors and Accountants Association, and Massachusetts Association of Assessing Officers

and support, by the time this contract expires, many of the services listed in it should be doable by a department staffed by three full-time employees.

Although many towns will always contract out for very specialized types of assessment work, such as commercial, industrial, and personal property valuations, and five-year revaluations, it is not usually beyond the expectations of a typical, midsized, full-time assessment office to wholly own such duties as completing inspections related to building permits, sales, and abatements of real property; and compiling and submitting the numerous forms and reports that must be provided annually to DLS – as examples of some of the duties now listed in the RRG contract.

In addition to potentially saving money, another reason for planning this type of reorganization is to support continuity of operations in case the vendor cannot renew the contract again, or at least not at the same service level. It also helps the town to remain an employer that staff want to work for by developing their potential and giving them interesting, responsible work, which will thereby also support the town's succession planning efforts. Furthermore, the RRG associates that fulfill the contract do not remain the same over multiple years, whereas a greater reliance on in-house valuations would lead to assessors who better understand the specific aspects of Sudbury's real estate. Finally, in terms of effective oversight, the current contract terms can create difficulties in ensuring that the town gets what it pays for. Although it says that an RRG associate will work 320 hours a year for the town, most of that is not done at town hall, and the contract does not say how that time is to be validated and assessed.

19. Take Steps to Bolster the Town's Cybersecurity Posture and Overall IS Management

The exponential pace of technological advancements means that cyberthreats are continually evolving. With greater frequency, news outlets have reported on municipalities that have been the victims of cyberattacks. With an eye toward enhancing the town's IS resiliency and overall management, we therefore offer the following advice.

Refresh and expand the set of IS policies

IS policies are critical for the town to protect itself from a wide range of risks, and all employees and officials using the town's tech need to know what is expected and required of them. Policies that have already been developed and adopted in Sudbury include Computer Use, Internet Use, Work From Home, Remote Participation, Disposal of Media, and Social Media. These policies have adoption dates ranging from five to 10 years ago. The IS office should ensure that the IS policies are reviewed at least every two to three years to see if they should be revised and reissued based on changing circumstances or any new best practice guidance that has come to light. If the review does not result in any revision, the policy should still be updated to show the latest review date.

Additionally, we suggest that the IS office consider drafting policies on other topics that are widely recommended for organizations to have, such as password protection, data management, security awareness and training, incident response, vulnerability management, and disaster recovery. The town should also ensure that users sign acknowledgment forms attesting that they have read all the policies relevant to them, and those forms should be maintained in personnel folders.

Plan for periodic IT risk assessments

In FY2017, a consultant performed a cybersecurity assessment of Sudbury's IS operations, paid for in part by a grant from the state's Community Compact Cabinet. Such an assessment provides a valuable snapshot, but over time, new challenges or threats arise, and new solutions are identified as well. For this reason, ISACA, the leading information technology professional group, recommends organizations conduct biennial risk assessments.[8]

The town could develop in-house capacity to do the next risk assessment, but another option might be the MA Office of Municipal and School Technology's Cybersecurity Health Check, which connects towns with vendors for a free assessment. In any case, local leaders should understand the importance of repeating these comprehensive assessments at least every few years and the potential need for associated expenditures in the event that grant programs for them may not be available then.

Take advantage of offerings from state agencies

We recommend the IS manager and other town officials regularly review the following sites for their available guidance, trainings, and potential grant opportunities:

- MA Office of Municipal and School Technology: Municipal Cybersecurity Awareness grant program for employee training
- MassCyberCenter: Municipal Cybersecurity Toolkit, Minimum Baseline of Cybersecurity for Municipalities guidance, and list of agencies and resources that can help improve cyber resiliency
- MA Office of the Inspector General: Off-Boarding and Banking Controls Protect Public Funds from Fraud advisory on cyber threats to financial operations, with recommended controls

20. Assign Systems Administration Responsibilities to the IS Director

Because most towns in Massachusetts are rather small and lack a full-time IS department, it is more common than not for the local town accountant, or other finance department manager, to act as the

[8] For further guidance, see Performing a Security Risk Assessment (isaca.org)

administrator for the community's financial management systems. However, for the strongest control environment, this authority should be separated from the employees who actually use the applications. Whereas Sudbury has been fortunate to have a dedicated, well-staffed, and experienced IS office, we recommend shifting the systems administration responsibilities for Munis and PayrollForward to the IS division.

The town manager, finance director, and IS director (in consultation with department heads as necessary) should review Munis and PayrollForward reports of all the individual system users and their associated permissions to determine whether or not the current edit and/or view-only access rights are appropriate for each employee. Each user should only have permissions for the functions that directly relate to their job duties and that do not constitute incompatible duties. Based on their analyses, the three should then determine which profiles should be revised.

Once this process is complete, the town accountant's permissions to update user profiles should be turned off and the IS manager's user profile should be configured, so that only he, and a back-up, have the rights to create and change user profiles and that their profiles include no edit permissions to any of the financial modules themselves. As a check-and-balance to validate this going forward, the finance director should periodically review user profile reports from the two systems, as well as their audit logs. A user profile request form should be implemented to document the creation and revision of profiles. Department heads would submit this form for the town manager's and finance director's signatures and then submit it to the IS manager.

Not only would this change improve financial controls and harden the security of these applications, but the IT department would become a more effective manager of the town's relationship with these important software vendors, especially during system upgrades or new module implementations. As a corollary to this recommendation, we also advise the town to consider placing the IS office under the direct management of the town manager rather than the finance director.

APPENDIX

Peer Communities

Town	2023 Pop.	Pop. Density	2024 PC Income	2025 PC EQV	% of Value		FY2025 Total Operating Budget	FY2025 Avg SF TB*	% of Total Operating Budget						Bond Rating
					Resid.	CIP			Levy	Aid	Local Receipts	Other	EFs	CPA	
Acton	23,846	1,200	$81,081	$220,535	90%	10%	$133,767,624	$14,918	86%	2%	5%	2%	4%	3%	S&P: AAA
Bedford	14,155	1,036	$82,483	$327,126	77%	23%	$127,992,304	$11,876	68%	8%	14%	7%	1%	2%	S&P: AAA
Concord	18,184	742	$166,197	$408,691	93%	7%	$145,712,897	$19,585	80%	5%	8%	4%	2%	1%	M: Aaa
Duxbury	16,116	679	$100,256	$334,605	97%	3%	$109,807,760	$12,595	67%	8%	8%	6%	9%	3%	S&P: AAA
Hingham	24,311	1,095	$140,318	$359,408	89%	11%	$168,893,406	$13,610	68%	7%	11%	4%	10%	1%	S&P: AAA
Hopkinton	18,943	721	$94,319	$268,771	82%	18%	$131,384,815	$13,007	73%	9%	6%	5%	4%	2%	S&P: AAA
Scituate	19,185	1,088	$79,111	$310,189	96%	4%	$138,078,982	$9,833	60%	7%	4%	11%	15%	3%	S&P: AAA
Wayland	13,724	912	$177,727	$322,092	96%	4%	$116,058,950	$17,854	77%	8%	5%	3%	5%	2%	M: Aaa
Westwood	16,213	1,490	$133,029	$337,575	85%	15%	$122,931,209	$15,412	81%	7%	4%	4%	4%	0%	S&P: AAA
Sudbury	**19,059**	**785**	**$120,396**	**$290,721**	**93%**	**7%**	**$135,916,628**	**$16,343**	**81%**	**6%**	**4%**	**2%**	**1%**	**7%**	**S&P: AAA**
Averages	*18,374*	*975*	*$117,492*	*$317,971*	*90%*	*10%*	*$133,054,457*	*$14,503*	*74%*	*7%*	*7%*	*5%*	*6%*	*2%*	*AAA-Aaa*

PC EQV: per capita equalized valuation
Resid.: residential properties
CIP: commercial, industrial and personal properties
Avg SF TB: average single-family tax bill
EFs: enterprise funds
CPA: Community Preservation Act funds
S&P: S&P Global, Inc.
M: Moody's Corporation

ACKNOWLEDGMENTS

This report was prepared by the Division of Local Services:

Tara Lynch, FMRB Senior Project Manager
Christopher Ketchen, Local Payments Bureau Chief
Sean Cronin, Senior Deputy Commissioner

DLS spoke with the following individuals as part of this review:

Select Board Chair	Jennifer Roberts
Select Board Vice-Chair	Daniel Carty
Select Board Member	Janie Dretler
Select Board Member	Charles Russo
Select Board Member	Lisa Kouchakdjian
Finance Committee Co-Chair	Michael Ferrari
Finance Committee Co-Chair	Michael Joachim
Town Manager	Andrew Sheehan
Assistant TM-HR Director, former	Maryanne Bilodeau
Assistant TM-Finance Director	Victor Garofalo
Town Accountant, former	Laurie Dellolio
Town Accountant	Robin Porcella
Acct. Assistant, Accounts Payable	Rosalynn Silva
Acct. Assistant, Payroll Coordinator	Kristina Rowe
Treasurer/Collector	Kathleen Laporte
Treas/Coll Dept. Assistant	Joanne Peterson
Treas/Coll Dept. Assistant	Kelly Kirmelewicz
Director of Assessing	Cynthia Gerry
Associate Assessor	Mary-Ann Wohlfarth
Assessing Analyst	John Irish
Information Services Manager	Mark Thompson