



February 20, 2007

Board of Selectmen
Town of Sunderland
12 School Street
Sunderland, MA 01375

Dear Board Members:

At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a limited scope financial review of the Town of Sunderland accounting function.

Findings and recommendations in this letter report are based on a site visit by staff from the DLS Technical Assistance Section, Bureau of Accounts and Information Technology Bureau. During this visit and by telephone, the team interviewed and received information from the town accountant, treasurer/collector and town administrator. An impromptu conversation with the town's volunteer technology advisor also took place. DLS staff examined town documents including the tax recapitulation sheet, warrants, balance sheets, reconciliation reports, etc.

Overview - With a population of approximately 3,800 and a FY07 budget of \$7.9 million, Sunderland is regarded as a small town. Among highlights, 54 percent of the town's total revenue is attributable to property taxes and 27 percent to state aid. According to the town administrator, an estimated 51 percent of the town's housing stock is rental units, which is due to the town's proximity to the University of Massachusetts in Amherst. Although Sunderland operates a K-6 elementary school system, middle and high school students attend the Frontier Regional School District.

The Sunderland town accountant began in the position approximately three years ago having arrived from similar private sector employment. She works a 20-hour, part-time week, allocating her time to six hours on Monday and Friday, and eight hours on Wednesday. Her predecessor also worked 20-hours per week, while the treasurer/collector is a full-time position.

The accountant has a stand alone PC, approximately 2 years old. The financial software currently in use for general ledger and payroll purposes is FundSense, developed by Unifund of Nashua, NH. (The treasurer/collector uses Point software). The accountant is self-trained on FundSense, which is a DOS based legacy system. Norton Anti-Virus is in use and is updated automatically. The only other installed and regularly used software is MS Office and Easy CD Creator. The accountant has been diligent in backing up data weekly to CD-RW media and storing discs off-site, but back-up copies of program files do not exist.

In total, there are 10 desktop computers in town hall, which are not networked. The town has no dedicated Information Technology (IT) staff, nor does it have a unified IT strategy. Through the efforts of a knowledgeable and dedicated volunteer, the town is trying to make use of current technology where possible, like providing most town hall users with wireless Internet service. Staff also have email capability, but tend to use private email addresses for town business.

Among other duties, the accountant in Sunderland is responsible for preparation of the vendor warrant (75-100 checks) and payroll warrant (120± checks) on alternating weeks, and for the on-going maintenance of the general ledger and grant accounts. She produces trial balances, monthly expenditure reports and periodic revenue reports. Up until recently, her practice was to complete reconciliations of cash and receivables four times each year. She also tracks the town's liability for accrued sick leave and vacation time on an Excel spreadsheet. She has a limited role in the annual budget process and in completing the Tax Recapitulation Sheet, preparation of which is overseen by the treasurer/collector and assessor. The year-end balance sheet is generated from the software, and the Schedule A is prepared with outside vendor assistance.

Observations/Conclusions - It is clear that the present accountant is diligent and earnest in her efforts to fulfill the responsibilities of the position. What is not so clear is whether concerns raised are most related to the absence of sufficient accountant hours to complete requisite tasks, to matters of training, priorities and time management, or to deficiencies in the financial management software. It appears to us that all are contributing factors.

We believe that the accountant's assigned workload in Sunderland justifies additional hours of employment. While 20 hours per week may appear sufficient, a six hour block of time in a single day, given normal interruptions, is not conducive to high productivity. At the same time, software closer to the cutting edge, a shift to more efficient procedures and increased training, should allow for the completion of requisite responsibilities in less than full-time hours.

The transition from private sector to public sector accounting is difficult under any circumstance. Because she was substantially self-taught, the Sunderland accountant was at a further disadvantage as she grappled with concepts unique to municipal finance. She is also self-taught in the use of the FundSense software. Notwithstanding her best efforts, we believe the accountant would benefit from additional training. With broader exposure to common accounting practices and more effective software training, she might be better able to prioritize tasks, manage her time and eliminate unnecessary work.

Overall technology in town hall lags. The accountant, in particular, is working with what must be regarded as cumbersome, outdated software, inherent with deficiencies. For example, the system allows keyboard input only, i.e., doesn't accommodate a mouse. Because the software doesn't recognize a USB laser printer; the accountant keeps an older parallel laser at hand. The application window can't be formatted for use with newer hi-resolution, wide screen monitors. It appears limited in its capability to properly account for encumbrances. In addition, training on the legacy version is no longer available and the vendor has notified the town that technical support for the application will end on December 31, 2009.

In this context, we offer the following recommendations:

Increase the hours of the town accountant. This should not be an arbitrary decision. With an increase in hours, the town administrator and the accountant should come to a clear understanding of priorities and expectations. The number of additional hours should emerge from discussions on an estimate of the time required to perform specific tasks. Initial focus would be on preparation of vendor and payroll warrants, maintaining records, producing reports and completing reconciliations of cash and receivables. The accountant should take ownership of the balance sheet and Schedule A, both of which are annual submissions to DOR.

Based on the experience of other similar sized communities, where there is a regional school district, the accountant's job need not be full-time. However, since the transition from private to public sector accounting can be a long-term process, particularly when an accountant struggles to complete tasks, learning new or modifying current approaches can be critical to success.

Reach agreement on training. To her credit, the accountant expressed her interest in earning her municipal accountant certification. However, in the past, she has not been able to attend the accountant's school in Amherst sponsored by the Massachusetts Municipal Auditors' & Accountants' Association. With an increase in hours, she should commit to attend future schools and the town should commit to covering the cost of enrollment. Agreement on future software training should be included.

Seek peer support. While course offerings and seminars present opportunities to meet and interact with counterparts in other towns, we suggest that more immediate and deliberate steps be taken. We recommend that the town administrator come to agreement with the accountant on seeking peer review. An examination of current practices and the capability of financial software by another accountant, experienced in municipal finance, could provide the level of guidance the Sunderland accountant missed when she began in the position. Outside input, specialized beyond what we can offer, would be useful in understanding whether tasks are completed in the most efficient way. This information would also be helpful in arriving at the number of hours needed to fulfill responsibilities.

Make changes in procedures now.

1) *Make reconciliations a priority* - Reconciliations are part of a system of financial checks and balances, contribute to an accurate balance sheet and serve as important prerequisites to the certification of free cash. To ensure up-to-date financial records and effective controls, we recommend that the accountant reconcile cash and receivables with the treasurer/collector on a monthly basis. In this way, variances between the two sets of records are more easily tracked and resolved. With more frequent reconciliations, officials can be more confident that records are up-to-date and accurate. Toward this end, we suggest that the accountant agree with the treasurer/collector on a specific day each month when they will meet to complete reconciliations.

2) *Cease maintaining employee accruals on an Excel spreadsheet.* It is our understanding that as part of the payroll process, the accountant receives employee sick and vacation time and makes note of the usage on individual employee time sheets. She then puts the same information

into an Excel spreadsheet. We recommend that she no longer maintain the information on a spreadsheet. With contemporary payroll software, or if the town out-sourced the payroll function as it had up until a few years ago, this information could be automatically maintained.

3) *Cease recalculating department invoice totals* - Departments typically submit vendor invoices to the accountant with a cover sheet (a voucher) summarizing payment details and the total amount due. The accountant visually confirms that summary information matches the attached invoices, recalculates the individual payment requests on the summary page to confirm the department head's arithmetic, and enters payment information into the FundSense software.

We recommend that the accountant no longer recalculate the total payment requested on the summary page. Instead, once payment information is entered into FundSense, she can run a report and quickly match report totals to summary page totals. If a variance occurs, further research is warranted. It is not the accountant's responsibility to verify a department head's arithmetic. When a department head signs a payment voucher, he or she is confirming the information provided and should be held accountable for the same.

4) *Utilize Excel template for invoice cover sheets* - If there is continued concern over the accuracy of cover sheet arithmetic, we recommend that an Excel spreadsheet, or template, be created for use by departments. Instead of manually entering information onto a hard copy of the cover sheet, payment information would be keyed-in to an Excel spreadsheet where the column of invoice payment amounts would be automatically totaled by the software. The town's volunteer IT person might be of help in creating this spreadsheet and instructing how department personnel would access it.

5) *Modify file storage system* - Because of time constraints, file folders and boxes of files are spread throughout the accountant's work area. Some, including those in file cabinets, are destined for storage, while others originating in the prior fiscal year are kept close at hand. We have seen instances where a cluttered work environment furthers a feeling of disorganization and ultimate frustration. Therefore, we encourage the town to assist the accountant in emptying file cabinets to boxes, removing boxes to storage. In the future, rather than rotate files into and out of file cabinets, we recommend that needed information be placed directly into storage boxes which can be orderly stacked and accessible. When a rotation of information is necessary, the storage boxes can be easily removed and replaced by new ones to be filled.

Make technology changes

6) *Initiate financial software evaluation/set timetable* - Whether the town chooses to upgrade its current financial software to BudgetSense (another Unifund product) or to explore alternatives offered by competing vendors, the evaluation/selection process should begin now. The purchase of new software should not wait until December 2009 when support for FundSense ends.

If conversion money is in the budget for FY08, the town needs to start looking at accounting software immediately. Contact with Unifund about a potential upgrade should be made. It should identify other potential vendors (there aren't that many out there for smaller towns), obtain information and arrange for demonstrations. Other communities, as well as professional associations, can provide useful information when determining what options are available and

should be contacted. Capability, cost, training, on-going support and ease of use are all considerations. We would expect end-users, as well as the town's volunteer IT director, to have input into the decision

7) *Modify back-up procedures* - Data back-up has been weekly to CD-RW media, while a disc copy of information, within one month, is stored off site and in town hall. However; backups have never been verified, and because they are on RW discs, there is the risk that the data will be unreadable and unusable by another drive. Therefore, we recommend that backups be verified by making an attempt to restore a small file as a test (i.e., copy it from the CD to the PC and open it.) Also, we recommend that the town consider using CD-R discs instead of CD-RWs. They are much cheaper, have the same capacity and do not have the system-specific issues of the RWs. Finally, though each department is currently responsible for backing up their data, one person should oversee the process to ensure that it is correctly and regularly carried out.

8) *Establish a town hall email system* - Under the present system, local officials use their own personal e-mail accounts for communicating with each other and with constituents. What is not clear is whether town hall staff is exchanging information through e-mail. In either event, we encourage the creation of a town-wide e-mail system where individuals, committees, board and commissions would have individual addresses at an identified town domain. This is a more professional approach and goes far to provide confidence to residents that what they might regard as personal information is in a controlled environment.

9) *Develop a town-wide IT strategy/Fund an IT position* - Sunderland has no dedicated IT staff, nor do they have a unified IT strategy. To its credit, the town is trying to make use of current technology where possible, like providing most town hall users with wireless Internet service. A community volunteer currently provides IT support to the town offices. He is knowledgeable and dedicated, and has done much to move his community forward into the electronic age. However, relying on a specific person rather than a position presents an inherent problem, i.e., when the person leaves, you lose the service. If someone leaves a position, it can be filled and service can be maintained. As a practical matter, small towns can fund a part-time position, engage a local computer firm on a retainer or hourly basis, or sometimes share the cost of either with the school department or even a neighboring town. If the town intends to maintain their current IT infrastructure and to move forward, we recommend it develop a written IT strategy, including an IT function, and fund it adequately.

Joe Markarian, Supervisor
Technical Assistance Section

Kirsten Shirer, Supervisor
Bureau of Information Technology

Henry Williams, Field Representative
Bureau of Accounts