



City of Taunton

Financial Management Review

Division of Local Services / Technical Assistance Section

September 2013



September 20, 2013

The Honorable Thomas Hoye, Jr.
Mayor, City of Taunton
141 Oak Street
Taunton, MA 02780

Dear Mayor Hoye:

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

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

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

If you have any questions or comments regarding our findings and recommendations, please feel free to contact me at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

A handwritten signature in cursive script that reads "Frederick E. Kingsley".

Frederick E. Kingsley
Bureau Chief
Municipal Data Management
& Technical Assistance

cc: Senator Marc R. Pacheco
Representative Patricia A. Haddad
Representative Shaunna O'Connell
Representative Keiko M. Orrall

Introduction

At the request of Mayor Thomas Hoye, Jr., the Department of Revenue's Division of Local Services (DLS) completed a financial management review of the City of Taunton.

Recommendations in this report are based on site visits made by a team from the DLS Technical Assistance Section and consultations with the Bureau of Accounts and Bureau of Local Assessment.

The scope of the review focused on the city's financial offices and the practices, procedures and policies that guide municipal decisions. We examined the duties and responsibilities of finance officers and the degree of coordination and communication that exists among the various boards, committees, and officials involved in financial management. We comment on the effectiveness of financial checks and balances and on compliance with state laws and regulations that govern fiscal matters. The city's technology condition was assessed, and the impact of organizational structure on financial operations was evaluated.

To complete the review, we interviewed and received information from the mayor, city councilors, city auditor, collector/treasurer, information technology director, assessors, human resources director, and others. A full list is available on the report's Acknowledgments page.

Also included as part of our review, we gathered and examined information from various documents, including the Tax Recapitulation Sheet, Schedule A, balance sheet, and Taunton's annual budget, warrants payable, revenue and expenditure reports, and reconciliation reports. We reviewed city bylaws and locally accepted statutes, outside audit reports completed by KPMG, and credit rating reports by Moody's and by Standard & Poor's.

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Overview

Taunton is a city of 55,874 residents and the seat of Bristol County in southeastern Massachusetts. Its boundaries encompass 48 square miles, making it the state's third largest city in area. It is also one of the oldest communities in the Commonwealth, having been incorporated as a town in 1639 and as a city in 1864. Its expanse includes a traditional downtown square, historic residential neighborhoods, industrial parks, and significant green space, including two state parks. Taunton's Silver City nickname derived from its 19th century prominence in the silversmith business. While that was just one of the city's many vital industries in that era, like other communities in the region, Taunton experienced a long-term commercial decline during the 20th century.

Taunton has had much difficulty coping with the adverse economic trends of recent decades, and this is reflected in metrics of its residential wealth. In 2012, the city's per capita equalized property valuation was \$88,929, well below the statewide average of \$149,014. Its 8.1 percent unemployment rate in 2013 is higher than the state's 7.2 average, while its 2012 per capita income, \$21,036, is only about 61 percent of the \$34,330 average statewide.

The state legislature has recognized there are similar problems faced by municipalities like Taunton, midsized cities that historically anchored regional economies but have struggled to realize their development potential in the new economy. Identification of these "Gateway Cities" provides opportunities for the communities to share practical experiences and to potentially qualify for future state development grants. Taunton meets the Gateway City criteria under M.G.L. c. 23A §3A because its population falls between 35,000 and 250,000; it has a median household income below the state average; and its proportion of residents with bachelor's degrees is also below the state average.

Among efforts to revitalize Taunton's commercial sector, the city offers an economic incentive development program that has granted tax increment financing to businesses. In recent years, local leaders have promoted Taunton as a potential site for a casino run by the Mashpee Wampanoag tribe, and the city's voters indicated their agreement with this proposal in a July 2012 referendum. There is also hope that by 2021 the South Coast Rail extension of the Massachusetts Bay Transportation Authority's commuter rail service will be completed and include two stations in Taunton.

The impact of the recent recession and the historic trends away from small-scale manufacturing and locally-based merchants can be seen in Taunton's downtown with its underused commercial buildings. Unrelated to these trends, the downtown, and more importantly Taunton's government operations, received a blow when an arsonist set fire to the historic city hall in August 2010. The damage was so extensive that all city departments based there had to be relocated. Most were moved to a disused city school about a mile from downtown. The treasurer/collector and city auditor departments, however, were moved to a downtown building owned by the Taunton Municipal Lighting Plant, which is a semi-public utility administratively independent of Taunton municipal government. This three-years-long "temporary" exile from city hall has impacted productivity, technological development, service delivery, and morale.

Since Massachusetts inaugurated Proposition 2½ in 1982, municipal budgets have been tied to tax levy limitations. Taunton's property taxes have only ever risen due to the annual statutory 2½ percent increment and to taxable new growth from construction and building renovations. The city has never proposed a tax levy debt exclusion nor override of Proposition 2½. In FY2013, Taunton's property taxes were assessed on split rates of \$13.77 per \$1,000 of residential valuations and \$30.58 on commercial/industrial/personal. Its average single-family tax bill was \$3,124, which is 36 percent below the state's \$4,846 average. Taxes on residential property comprise 61.44 percent of Taunton's total property taxes.

As reported to DOR on the tax recapitulation sheet, Taunton's total budget in FY2013 was \$188 million. Roughly 41 percent of budget revenue came from the tax levy, 31 from state aid, 21 from local receipts, and 6 from other funds. With property values and personal incomes both below state averages, Taunton receives a larger relative allocation of state aid than some other communities. But this dependence on state aid for a greater portion of its budget also makes the city vulnerable during periods of state fiscal stress when there is less local aid to distribute. In the decade prior to the recession that began in 2008, the average budget proportion of state aid was 37 percent.

Figures on actual expenditures for FY2013 were not available at the time of this report. But based on averages for the past three years, the city tends to spend about 43 percent of its annual budget on educational costs. About a quarter of the city's budget annually is spent on fixed costs, such as health insurance, retirement, and other employee benefits. The third major spending category, roughly 14 percent annually, is dedicated to public safety. The remaining expenditures (by rounded average percentages) go towards debt service (5), public works (5), general government (4), human services (1), culture and recreation (1), and other costs (< 1).

Some of the services that Taunton provides are run as enterprise funds, namely water, sewer, a golf course, and a nursing home. For each of these operations, the total calculated cost of providing the service is used as the basis for amounts charged to users of the service. Some neighboring communities use either Taunton's water or sewer treatment plants. Their costs are factored into the enterprise calculations, and the city receives annual lump sum payments from Dighton, Raynham, Lakeville, and Norton, and the state prison in Bridgewater.

Taunton's government structure is based on definitions encoded in its city charter, which presents a design comprised of a strong city council and a weak mayor. Apart from some minor revisions and amendments, the charter has not had a full review since 1909. The primacy of city council might have made good governing sense in the now distant past. However, in DOR's view based on practical experience, that structure is inadequate to handle the intricacies of managing city government in the modern age. This model lacks the crucial accountability created when one person is authorized to administer, direct, and coordinate all city departments.

As part-time officials, city councilors are not well-positioned to oversee and assess the performance of department managers. The title of mayor confers executive status, but despite its full-time commitment, the position has not been empowered to function as the central administrator who can demand that jobs get done. This lack of authority restricts the mayor's ability to impose sound financial practices, coordinate departmental activities, or equitably apply personnel policies to all employees. It also hampers the capacity to carry out citywide initiatives for improving services, completing projects, and generally advancing Taunton's quality of life.

In June 2013, the mayor appointed a city charter advisory committee to conduct a full charter review. Comprised of seven volunteers with current and former experience in the mayor's office, city council, city solicitor's office, and school committee, this group has been charged to examine the existing charter and report to the mayor on any proposed revisions. Ultimately, a revised charter would only go into effect after being approved by the city council, the state legislature, and Taunton's voters. With this opportunity at hand, committee members can be initiators of change by recognizing the charter's limitations and suggesting modifications that, if adopted, will bring more efficiency, continuity and accountability to government.

Without a strong, central, delineated authority structure, the city has experienced long-term trends of fiscal management deficiencies. Evidence of this can be found in the numerous negative management comments by the city's outside auditor firm, KPMG, in its annual reports. It also is indicated by the tendency for the city to submit required annual reports to DOR much later than the norm, to the extent that timely receipt of local aid is put at risk. Recent turnovers

in the treasurer/collector position and complications in finding replacements also appear to have some connection to the ineffective government model. There is currently no formal mechanism for reviewing performance and holding managers to their responsibilities for meeting objectives. Beyond charter change, the unusual fact that almost all Taunton department heads are union members further complicates the establishment of real performance accountability.

In the first report section that follows, we discuss and advise on the city's government structure and broad financial policies and practices. We encourage empowering the mayor by extending the office's appointment powers and length of term. We also recommend that the city create a chief financial officer position to better coordinate the activities of the central financial offices. Also suggested are the formal codification of the annual budget process and reestablishment of a capital improvement program. In the next report section, we focus on the city's ongoing financial operations. Guidance provided here relates to the need to develop the professional proficiencies of staff, implement a performance review system, and promote increased collaboration. We make suggestions to streamline processes and reduce paperwork. And we also underline the importance of renewing efforts to upgrade technology.

General Government

The structure of Taunton's municipal government is defined in its city charter, which was originally adopted in 1864, underwent its last full revision in 1909, and will receive a full review beginning this year, as noted earlier in this report. The government outlined in the present charter is characterized by a strong city council with a weak mayor. Elections are held every two years for the mayor and for all members of the city council and school committee.

The nine-member, at-large city council functions as the city's legislative body but also exerts significant management influence through its authority to appoint most department heads, including those involved in central financial administration. The mayor is the city's chief executive, serves as ex officio member of the school committee, and also presides over meetings of the city council. Beyond that, however, the charter and city ordinances have limited language spelling out the position's powers and responsibilities. The only departments to which he can appoint managers are within his own central executive office, the human resources department, the city solicitor's office, the emergency management agency, and animal control. The mayor appoints a mayoral assistant to provide support for citywide initiatives and some administrative functions. The office also includes a budget director whose general responsibilities are outlined in city ordinance.

Taunton's annual budget process begins in January, when the budget director prepares preliminary revenue estimates and sends budget guidelines to departments. In March, he reviews departmental budget requests, updates revenue figures, and consolidates all the data into a report that he submits to the mayor. The mayor meets with the large departments that request budget discussions and then submits his proposed budget to city council, usually by the end of May. The council holds hearings with city departments and finalizes appropriations by the start of the new fiscal year (July 1st). Throughout the year, the council's committee on finance and salaries reviews and makes decisions on departments' supplemental and transfer requests. In recent years, the annual budget process has not incorporated any formal, long-range capital plan, and therefore, city council has only done ad hoc capital appropriations depending on resource availability.

The city's reserves have been much diminished due to some poor borrowing practices in recent years and the use of stabilization funds to support ongoing operations. According to DOR records, by the close of FY2012, Taunton's general stabilization fund was down to \$399,099. As a positive step, it is reported to have been built up to \$1.5 million by the end of FY2013 but

remains less than one percent of the city's annual budget. And at the beginning of FY2013, DOR certified a negative free cash balance of \$2,096,230. A community should try to maintain a combined free cash and stabilization fund reserve balance between five and seven percent of its total budget to provide funds for unforeseen expenses or for one-time capital outlays. The city has worked to remedy these trends, and the effort paid off recently with Standard & Poor's upgrading of its credit rating from A+ to AA- in September 2013. The agency noted that Taunton has improved its financial position after a period of fiscal imbalance and drawdowns from the general fund. Taunton's strengthened liquidity and aggressive debt amortization were also noted along with the overall improving regional economy.

Conclusion:

The complexity of city government in the 21st century necessitates a high degree of ongoing municipal coordination, long-range planning, and performance accountability. A credit upgrade is encouraging as it shows the city is moving in a positive direction. However, the current framework of municipal government has not proven to be a good foundation for sustained progress. The first few recommendations below are concerned with ideas on government restructuring, and they are followed by advice related to broader financial management.

Empower the Mayor's Office

The lack of a full-time, central authority invested with real power to ensure accountability over disparate city departments puts Taunton at a disadvantage for correcting deficient trends, implementing initiatives, and inducing concerted efforts toward citywide objectives.

Accordingly, we recommend that the charter advisory committee propose new language to empower the mayor's office. For a start, we recommend that the mayor's office be granted the authority to appoint all department heads. By giving the mayor the ability to hire and fire department heads, Taunton will introduce real accountability in its governance. We also propose that the charter grant the mayor the authority to singly approve payroll and vendor warrants. Presently, city ordinances dictate that these must be signed by the committee on finance and salaries, comprised of the mayor and three city councilors.

We also recommend that the mayoral term be extended from two years to four. The current term is too short to support effective implementation of long-range financial strategies and goals, given that it typically takes a series of budget cycles for policies to evolve and gain acceptance. It does not provide adequate time to assess an incumbent's performance nor to appreciate the benefits that stem from continuity in government policies and practices.

Establish a Chief Financial Officer Position

Given the sophisticated, interdependent work of the city's central financial offices and the potential impacts that any deficiencies in those operations have on the community as a whole, we recommend that Taunton establish a chief financial officer (CFO) position. The size of the city's budget should provide enough impetus for establishing this type of fiscal manager position. Of the 46 cities in the state, Taunton's FY2013 budget was the fifteenth highest at \$188 million.

Appointed by and reporting to the mayor, the overall mission of the CFO would be to coordinate financial management, monitor the city's fiscal health, and analyze data for long-range planning. A new charter proposal should include a section establishing the CFO position and spelling out the officeholder's responsibilities, to include:

- Coordinate the work of the financial team.
- Manage the budget process.
- Ensure timely compliance with internal and external reporting.
- Maximize efficiencies and cost-saving opportunities.
- Facilitate the annual audit engagement and assure the development and implementation of corrective action plans.
- Prepare multiyear revenue and expenditure forecasts.
- Maintain a long-term capital plan and monitor progress of capital projects.
- Oversee the procurement process and make recommendations on all contracts.
- Participate in collective bargaining.

Establishing a CFO position will go far to enhance accountability and to tighten oversight of the city's finances, while at the same time lightening some of the mayor's workload through delegation. Given the redundant nature of some CFO duties to the existing budget director ordinance, we recommend that the CFO charter provision supersede it.

Establish an Audit Committee

Taunton has had an extended history of late annual audits and inattentive response to audit comments. We therefore agree with KPMG's advice to establish an audit committee. To its credit, the city has apparently moved forward and established an audit committee as this report

was being released. To help guide the new committee, we suggest that it focus on four primary areas of responsibility:

1. Develop a scope of audit services. Working with the CFO, the committee defines the services the city seeks and expects from an auditor or audit firm.
2. Oversee the selection of an auditor. Since audit services are not subject to procurement provisions under M.G.L. c. 30B, this can be done by inviting auditors to interview or by issuing a request for proposals for audit services. In either case, the committee would develop selection criteria for scoring candidates and making a selection.
3. Attend the audit exit conference and review the audit report, findings and management letter comments. The committee should also form an opinion on the performance and independence of the external auditor.
4. Monitor the progress of corrective action plans developed by finance officials to address audit findings and management letter comments. This can be accomplished by meeting with the CFO at scheduled intervals. The committee should also provide periodic reports to the mayor.

Taunton has contracted with KPMG to conduct annual audits for more than a decade. While staying with one auditor over multiple years promotes continuity and minimizes disruption of everyday activities, the Government Finance Officers Association recommends that outside auditors be changed every five to eight years. Cycling new auditors provides fresh perspective and fosters long-term independence. We therefore also advise Taunton to solicit proposals from multiple firms for the next fiscal year.

Modify the Meeting Schedule of City Council and Its Subcommittees

We recommend that the city council shift its general meeting schedule from a weekly to biweekly interval. This would require a change to the city ordinance that currently stipulates the whole council meet at least weekly. A biweekly schedule allows sufficient time to make necessary decisions throughout most of the year, and the council can call for more frequent meetings during budget season or whenever circumstances require more immediate attention. Also, a more empowered mayor would be able to directly address administrative issues as they arise, further cutting down the need for weekly council meetings.

With a biweekly schedule, city councilors can dedicate time on the alternate weeks to the various smaller committees they each serve on. The business of these subcommittees would then not impact the scheduled meeting hours of the council as a whole. Currently, residents with business before the council might have to wait idly for unspecified periods while councilors conduct mini-meetings of subcommittees either before, or as adjournments during, the general council meeting, making a longer night for all.

We also recommend that city councilors systematically review the status of their subcommittees and make decisions to either retain or dissolve each of them. The city council webpage lists 20 subcommittees and task forces, and between them, each councilor is assigned to seven or eight. Some meet several times a month, while others are effectively defunct. If not managed well, committees can drain resources and place unnecessary time demands on councilors. Conversely, a lack of progress reporting can inhibit citywide goals.

Each associated chairperson should report on whether his or her subcommittee still has a clear charge advancing city interests. Then the whole council should decide which subcommittees should be sustained. Any that still have a meaningful mission should be re-formed with a renewed mandate and reporting requirements. This process should result in the disbanding of some committees and the rejuvenation others, like the capital planning projects committee. Going forward, the council should ensure a consistent approach to all committees, one that involves standard ground rules, expectations, and reporting mandates for new committees.

Move Forward with Plans for Returning to City Hall

We urge Taunton officials to overcome the inertia relating to the status of “temporary” city hall by moving forward with their plans to return to the original city hall downtown. It has been three years since fire damage forced the relocation of all city hall employees. A former city school, the Lowell M. Maxham, has housed most of the affected departments since then, although the auditor and treasurer/collector departments have been located in office space leased from the Taunton Municipal Lighting Plant (TMLP). City council meetings now take place in the school’s gym, which has undergone a makeshift conversion to a council chamber by adding curtains and carpeting.

Based on our discussions, it appears that the consensus opinion of city decision makers is to reoccupy city hall. This option has been chosen over the alternatives of building a new city hall

or staying put at the Maxham building. An architectural firm hired by the city has presented the results of a cost analysis for building renovations. Three plans were proposed, ranging from \$14.5 million to \$23.2 million, depending on options for building expansion. Given the considerable sums involved, local officials seem to be aware that in choosing the renovation option, they will be investing in a building that needs to serve as Taunton's administrative capitol for many generations to come.

Leaving city hall employees at the Maxham location for an indefinite period has real impacts on the ability of the city to operate efficiently and to achieve any forward-looking goals. Especially impacted is its IT infrastructure, which we discuss in greater detail later in this report. But overall, professional working conditions are hard to produce at the Maxham, which was constructed in the 1950's to be an elementary school.

Classrooms have undergone conversions to accommodate whole departments. At best, some workstations are set off by banks of file cabinets, but these only afford minimal privacy. For a confidential discussion, an official such as the human resources director must find a vacant room elsewhere in the building. The five employees of the assessing department are in one, wide-open classroom with no partitioning of work areas. In general, fully open, office-free work environments make it difficult for staff, especially department managers, to avoid interruption and focus on particular tasks.

Located away from any urban amenities, the Maxham building is dated and musty with facilities not sized for adults. This difficult, uninspiring workplace can suppress efficiency, present difficulties for attracting or retaining quality employees, and damage public perception of government. And the prolonged indecision regarding the ever-pending future workplace of the building's employees also diminishes morale. Therefore, we urge city leaders to act expeditiously to make a decision for funding the rehabilitation of downtown city hall, so that construction can commence as soon as possible.

Formalize the Budget Process in the City Charter

We recommend that the charter committee draft an ordinance to define the budget process. A budget process ordinance would create a template for year-to-year consistency and foster local confidence in government. Additionally, inclusion of references to a budget schedule can help to set expectations for officials and establish performance benchmarks for the parties responsible for coordinating the process.

A budget ordinance might include details like the following:

- The CFO creates a revenue and expenditure forecast and presents it to the mayor, city council, and school committee by a specific date.
- The mayor meets with department heads to discuss their needs as appropriate.
- The mayor submits a balanced budget proposal to the city council by a specific date.
- The CFO is available to the city council, at its meetings and otherwise, to respond to any budget-related questions so that the parties ensure the adoption of a balanced budget before July 1st.

The typical budget season in Taunton involves general city council meetings lengthened by the inclusion of hearings with every city department head regardless of whether he or she will be impacted by any proposed budget changes. With a more empowered mayor, budget hearings could take place during the regular workday, or they could be scheduled on our suggested alternate-week meetings of the finance and salary committee. Also, hearings could be held only for the larger departments or those to be affected by budget changes.

Reestablish a Capital Improvement Program

We recommend that Taunton revitalize its capital improvement program. Although Article XV Sec 2-351 in city ordinances establishes a capital planning projects committee (CPPC) with a detailed charge, the CPPC has been essentially inactive for the last few years due to overall budgetary constraints. Capital needs have lately been funded only on an ad hoc basis, with monies primarily directed to rolling stock and urgent sewer projects. Communities that suspend capital planning, even during times of great resource scarcity, do so to their detriment. Sustaining an annual program serves to continually inform policymakers of pressing needs while identifying projects deferrable until financing becomes available. An ongoing program to review and prioritize capital needs helps assure that critical infrastructure issues are not neglected. Furthermore, credit rating agencies look favorably on communities with such programs.

We encourage the city council to reestablish the CPPC's mission and ensure that it continues annually thereafter. The CPPC should frame a standard set of capital review procedures and establish an annual calendar with deadlines for assessing and presenting capital needs as part of the annual budget process. The committee should call on the assistance of the CFO and financial officers for annual and multiyear forecasts of revenue and expenditures to help set the context for

capital financing decisions. To refocus efforts, we suggest that the reestablished CPPC's capital program include the following steps:

- Prepare a detailed inventory of facilities, vehicles, real estate, hardware, and other assets (including details on condition, lifespan, utility, and maintenance schedule).
- Solicit, evaluate and prioritize project requests.
- Assess the city's financial capacity (e.g., available reserves, borrowing limits, etc.).
- Develop a financing plan and adopt a long-term capital program.
- Review and monitor the status of previously approved projects and their funding.
- Annually update the capital improvement plan.

Evolving from the above work should be a multiyear capital plan for all city departments that the CPPC should update periodically to reflect changing needs and accomplished projects. The multiyear plan should: (1) prioritize capital project proposals, (2) estimate project costs, and (3) list proposed methods of payment for each project (e.g., current revenue, debt, or debt excluded from the limits of Proposition 2½). With a comprehensive capital program shaped by clear, consistent standards and spending priorities, the city can more effectively direct funds to identified needs and make strategic plans based on explicit long-term goals.

Consider Selling the Taunton Nursing Home

We recommend that the city consider selling the Taunton Nursing Home. In Massachusetts, all but a very few communities have divested their interest in a municipally operated nursing home. One good reason is because the ability to provide any kind of central oversight for the management of a healthcare facility lies beyond the typical expertise of a mayor or city council. While we did not interview officials directly associated with the nursing home department, we feel that there are a number of apparent factors that would support a decision to sell.

The Taunton Nursing Home is operated as an enterprise fund, whereby expenditures are covered through a combination of fees charged to patients and funds from Medicare and Medicaid programs. However, the tendency for federal funding to fluctuate was provided as the reason that the city, in three of the last five years, had to make up for revenue shortages through transfers from the general fund totaling \$675,925. Additionally, every annual KPMG audit report dating back to at least 2008 (the extent of reports available to us) cited concerns that the city's financial reporting fails to include both the nursing home department's accounts receivable and its agency accounts. Also, the politics associated with maintaining the nursing home can

distract from the more pressing needs of the city as a whole. Finally, proceeds from the sale could help finance capital projects, and the city's annual budget would benefit from having the property on its tax rolls.

Reevaluate the Policy of Providing Insurance Benefits to Part-time Elected Officials

We recommend that the city review its policy of allowing part-time elected officials to enroll in its insurance programs. According to M.G.L. c. 32B, §2(d), an "employee" eligible for healthcare benefits is one who receives either a salary or stipend and works at least 20 hours per week. There is no minimum hourly requirement to qualify a paid elected official, however. And, once vested in the retirement system, that employee becomes eligible for retirement benefits, including health insurance, at a significant cost to the municipality. There are a few part-time elected officials who are currently enrolled in the city's health insurance plan, an expense estimated to be \$65,603 for FY2014. Therefore, the city should consider its current liability and the long-term impact of providing health insurance to elected officials. This policy change can be effected by a directive of the mayor.

Overall Financial Management

During the course of our review, we examined the practices of the central departments involved in Taunton's municipal finance operations. These include the offices of the city auditor, treasurer/collector, assessors, human resources, and information technology (IT). Their responsibilities are critical to the city's financial well-being, and their success greatly depends on how effectively managers communicate with each another, collaborate on various reporting tasks, and generally coordinate their financial management activities.

Among these departments there is a range of work experience and continuity, number of departmental staff and their extent of training, and variety of software applications in use. While for the most part, we found the managers and staff to be dedicated to fulfilling their responsibilities, there is a mixed degree of effectiveness among the group. Several internal and external factors have impeded the overall and individual success of these departments.

Two departments, the treasurer/collector and IT, have had major turnovers in leadership in the last three years. Coincident with that time period, the physical displacement of these formerly colocated offices caused by the city hall fire has impacted collaboration. Unlike some cities that use one, integrated financial software for the many functions that cross these departments, at this juncture, the array of applications in use do not directly interface with each other. While there has been the intent to extend read-only and/or data entry access to some systems beyond their primary departments, it was found that the city's outdated servers did not have the capacity to handle that. There are plans to move the network infrastructure to a virtual environment for the purpose of breaking down some of the technology barriers to more efficient operations.

Many of the starkest examples of Taunton's fiscal operational shortcomings have been presented in the annual reports of its outside auditor, KPMG. We reviewed audits dating back to FY2008, and each year, KPMG has made an average of 24 comments referring to control deficiencies. Every year, a few of these are cited as material weaknesses, indicating a higher degree of likelihood that financial misstatements may not be detected, prevented or corrected. Over this time period, the outside audits were also completed quite long after the fiscal year-ends. Since 2008, KPMG's audits have been completed, on average, 19 months after the close of the fiscal year, ranging from 11 to 26 months. Receiving feedback so long after the period being examined greatly decreases the urgency of doing anything to remediate deficiencies. The most recent audit (for FY2012) was completed within 11 months, so perhaps this trend is starting to turn around.

Below we present brief summaries of these five interrelated departments followed by associated recommendations.

Board of Assessors

The three members of Taunton's board of assessors are appointed by the city council, and they elect a chairperson among themselves to serve as department head. The current chair has been a board member for 12 years. As a working board, the three assessors have a general but fluid division of labor, and they are supported by a staff that includes an assistant assessor and a clerk.

The assessing office is responsible for valuing all of the city's real and personal property and generating commitments that authorize the treasurer/collector to collect property taxes and motor vehicle excise. The department uses Vision's computer assisted mass appraisal system to maintain property record data and create property tax commitments. All sales, building permit, abatement, and interim inspections of real property are conducted in-house. The office contracts with RCC to inspect personal property. Each year, board members work together to estimate new growth, determine an overlay amount, and conduct classification hearings. The office notifies the treasurer/collector and city auditor departments of all exemptions and abatements it approves. The office also fulfills DOR's requirements to document annual property value adjustment analyses and to prepare for state certifications of property values every three years.

The office's geographical information system and assessors' maps are developed and maintained by Analytical Graphics, Inc. In 2013, the city purchased a new GeoTMS software product for automating and tracking the permits and fees of certain departments. It is being used primarily by the building department in phase one and will eventually replace the manual method for referring building permit inspections to the assessing department.

Treasurer/Collector

In Taunton, the responsibilities of treasurer and collector are functionally combined into one office, whose leadership has been in flux for the last three years. The treasurer/collector who held the office since the positions were combined in 2003 retired in 2011. She was replaced by an individual who only stayed in the position less than two years. The recently retired treasurer/collector returned in an interim capacity from December 2012 until city council could appoint a new person. The new treasurer/collector, who began working in Taunton on June 24, 2013, had previously been the elected treasurer in Milford for the last 16 years. The department

includes an assistant treasurer/collector, an assistant treasurer, five collector clerks and four treasurer clerks.

As the city's cash manager and money custodian, the treasurer/collector is responsible for the deposit, investment and dispersal of all municipal funds. She keeps a cashbook, monitors bank balances, and maintains a cash flow report to ensure the availability of sufficient funds to cover obligations. She is responsible for issuing all debt and maintaining debt schedules. The office also administers payroll and insurance benefits for all city, school and TMLP employees.

Taunton's treasurer/collector is authorized to receive all monies due the city, including property taxes, excise, utility charges, and parking fees. For tax and excise billing, she contracts with the deputy collector firm, Kelley & Ryan Associates. The department also uses Kelley & Ryan to collect all delinquent excise and parking accounts. The city's water and sewer departments coordinate their own billing, and the utility payments are received and posted by treasurer/collector staff. All receipts and abatements are recorded in the treasurer/collector's receivable control, which she reconciles, both internally to original documents and externally with the city auditor's records.

The department receives payments in-person, by mail, online, and via escrow companies. Staff scan all manual receipts on a scanning machine that captures the bill and check data, which staff then upload to the receivable database. The new treasurer/collector is looking into establishing a contract with a lockbox vendor to whom all receipts will eventually be directed, creating the efficiency of a single input and research center. For delinquent accounts, the office issues tax demands and completes tax takings timely. The office also completes timely municipal lien certificates, which attest to the taxes and other charges owed on a given property at the time of sale or refinancing.

Presently, the treasurer/collector department uses five distinct software applications to manage tasks. All departmental receipts are recorded in Zobrio. However, Zobrio's cashbook module has not been fully implemented yet, so the office still maintains its cashbook primarily in Excel. The office anticipates migrating the cashbook fully to Zobrio once servers have been upgraded to allow direct Zobrio data entry by departments. The office posts tax and excise receipts into a Data National receivables module. Tax title data is maintained in a system called CDS. For payroll, staff enter data into a Harpers Payroll Service application.

City Auditor

Appointed by the city council, Taunton's city auditor has been in her position since 1995. Her staff includes an assistant auditor and four full-time clerks. In addition, the department employs a private accountant to do projects, and he works in the office on a regular half-time basis.

The city auditor has the legal obligation to oversee all financial activity of the municipality. Her office uses Fundware financial management software for its general ledger, in which all receipts, expenditures and other city financial activities are recorded. For city expenditures, the office reviews and assembles payroll and vendor data into warrants for the approval of the finance and salary committee. The auditor periodically distributes expenditure reports to various departments and committees, and reconciles records of cash and receivables with the treasurer/collector. After the close of each fiscal year, she prepares and submits to DOR the Schedule A report, which is a year-end summary of revenues, expenditures and fund balances, as well as the balance sheet report needed for free cash certification.

Information Technology

Over the past year, the city's IT department, also called the Automation Department, has devolved into a single-person operation. The former assistant has held the acting IT director position since September 2012 through a succession of short-term contracts. Even though he does not provide support for the school, police and fire departments (which have their own IT groups), as acting director, he has far-ranging responsibilities and a heavy workload. The TMLP provides periodic assistance and functions as the email and Internet service provider for all of government except the school department. The acting IT director also receives input from a reconstituted Information Technology Advisory Board (ITAB) on which he serves with the mayor, mayor's assistant, and some members of the TMLP, school, police, and fire IT groups.

Just prior to the city hall fire, the city engaged Custom Computer Specialists, Inc. (formerly UNICOM) to assess its technology situation. The mayor called upon the firm again earlier this year for a reevaluation. Their revised March 2013 report offers a long-range plan that recommends: moving toward a virtualized server environment; strengthening server capacity where core software applications would reside; further centralizing data storage and protection; and creating faster and more effective networks within and between municipal buildings. In addition, the report recommends a more substantial IT staffing model. In this regard, the ITAB has discussed the feasibility of merging the city and school IT operations under a single director.

Among his priorities, the acting IT director advocates funding network upgrades that would create high-speed connections between all city buildings and purchasing helpdesk ticketing software. He is also considering initiatives to implement an in-house email server and to install a Voice over Internet Protocol telephone system.

Human Resources

Taunton's department of human resources (HR) is overseen by a director appointed by the mayor, and its support staff includes an office manager and a clerk. Charged with the responsibility to oversee the city's employee relations, the director develops personnel policies, negotiates with the city's eight unions, reviews pay classes and job descriptions, handles discipline and grievances, and conducts new hire orientations including enrollment in insurance benefits. The office also manages all workers' compensation claims for the city, school and TMLP. The department develops and schedules training courses on personnel policies and for technical skills. Personnel files are maintained in locked file cabinets in the HR office and access is dictated by formal policy and through signed request forms.

Conclusion:

Generally speaking, these financial management departments fulfill their fundamental responsibilities and comply with various internal and external reporting requirements. Nevertheless, the absence of a strong, central management authority has created a void in which inefficiencies have thrived, oversight of basic controls has been haphazard, and collaboration has been suppressed. Below, we offer a series of recommendations that address areas where these departments could strengthen financial controls, streamline activities, and better serve each other and the residents of Taunton.

Hold Regular Meetings of the Financial Team

Earlier this year, the mayor initiated a practice of calling meetings of the city's central finance team, and we recommend that these continue on a monthly basis. Once the CFO position is established, that officeholder could chair the meetings and report to the mayor, whose presence would no longer be necessary. Beyond the financial team members, comprised of the CFO, city auditor, treasurer/collector, and chair of the assessing department, these meeting should also include the IT director and school business manager.

The financial management team meetings would be a forum where the budget calendar and other finance-related deadlines can be reviewed. By analyzing financial data, the group can forecast the impact of future events and offer strategies to deal with anticipated problems. The analysis arising from these meetings will enable the CFO to present briefings to the mayor and city council on topics like prior-year performance benchmarking, year-to-date activities, cash flow analysis (including the timing of major purchases and issuance of new debt), and any issues that may arise. The CFO's distillation of the financial data will provide decision makers with the information needed to assess and discuss debt limits, reserve fund levels, revenue/expense estimates, and annual budget guidelines.

Expand Employee Professional Development

We recommend that Taunton develop a more proactive and systematic approach to employee professional development in the city auditor and treasurer/collector departments. The HR director has made strides to provide general technical training opportunities to city employees, but more needs to be done. By investing time, energy and funds into employee development, these departments can improve customer service, create efficiencies through appropriate delegation, and provide for succession planning.

Apart from software implementation training from vendors like Fundware, staff training has been mostly on-the-job (i.e., being shown the steps for completing assigned tasks). But the lack of a more encompassing approach to personnel development creates various risks in the financial offices. Assistants have not received training to adequately enable them to step into the superiors' roles during absences or as potential future officeholders. In the auditor's office, this factors into the city's ongoing employ of a consultant accountant who does work outside the scope of internal auditing and more in the realm of bookkeeping. Staff cross-training has not been sufficient to support each other well during absences or high volume times, and roles are not well-defined within the teams to function with maximum efficiency on a day-to-day basis.

To begin, we suggest that the managers compile a top-to-bottom inventory of tasks that must be completed to achieve the department's objectives, along with the requisite skills and knowledge to perform them. In consultation with the HR director, they should also map out a collaborative but hierarchical team structure for carrying out tasks. Then they should meet with employees individually to discuss their present skills and knowledge gaps. From this process will emerge a clearer picture of training needs, a roadmap for scheduling training, and a career ladder that all can refer to for continuing educational development. The departments also need to carve out

time for more hands-on cross-training, especially in critical areas like payroll processing and interdepartmental reconciliations.

Besides in-house training, we recommend the city increase the assistants' access to the professional organizations associated with their departments (i.e., the Massachusetts Collectors and Treasurers Association, and the Massachusetts Accountants and Auditors Association). By attending the meetings and trainings of these groups, they 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 coworkers if the city puts more emphasis on employee mentoring in general. For an example of how well this can work, one need only look to the training and mentoring success in Taunton's assessing department.

Implement a Citywide Performance Management System

As the HR director leads negotiations for renewed union contracts, we support her goal of establishing provisions for a citywide performance evaluation system. While city ordinances authorize the committee on finance and salaries to conduct occasional evaluations of department managers and assistant managers, to our knowledge, these are very rarely done. We propose that the ordinances be amended to stipulate a broader employee management program, one that would be carried out on a consistent, annual basis and extend to all city employees. Even before the authority for appointing all department heads and staff is assigned to the mayor, responsibility for the performance evaluation program should be shifted from the city council to the HR department. Performance evaluations are and should be an executive function.

Performance evaluation programs are becoming more common in municipal government, in part because they provide a framework for determining if employees fulfill their responsibilities and for assessing how review results impact municipal goals. Just as important, these programs provide an avenue for employees to express their opinions, which can provide management with valuable insight into departmental morale.

Complete and accurate job descriptions are the foundation of an effective review program. However, it is our understanding that for the most part these only exist for management-level employees. We recommend that the HR Director work with department heads to implement a citywide job description project. Existing descriptions for department heads and assistants should be reviewed and revised to include all legal responsibilities as well as activities relating to city goals and objectives. Once this process is completed at the management level, department heads should develop and finalize job descriptions for their employees in similar fashion.

A job description template should be created by the HR director for distribution to departments. To assure completeness, at each level of the project, individual employees should create the initial description drafts by listing what they believe to be their responsibilities and what duties they perform. After discussion with supervisors, each final product should include:

- Requisite education, qualifications, experience, and special skills
- Conditions under which work is performed
- Supervision received and given
- Major and minor duties and responsibilities with qualifying descriptors to provide guidance for performance expectations

For the evaluation piece, the HR director should write, for approval by the mayor, a formal policy and procedure detailing how the program will work. These should lay out guidelines on the timing of reviews, review criteria, and performance benchmarks. The program's design should reinforce accountability, encourage communication, and promote professional development. It should be implemented along clear lines of authority (i.e., the mayor evaluates the CFO, who evaluates financial department heads, who in turn evaluate employees under their supervision). Ultimately, through this program, employees will receive a clear understanding of their responsibilities and job expectations and the knowledge that these will be reinforced through annual performance reviews.

Reduce Paperwork and Redundancies

We recommend that the CFO and city auditor consult with the outside auditor to examine procedures of the auditor's department and eliminate any unnecessary paperwork and redundant controls. Some processes appear to involve superfluous re-verifications, often entailing the generation of more paper or the data entry of information in multiple applications. Office staff seem overwhelmed by the volume of tasks, and any appropriate reduction of steps will help them to keep pace with the timely execution of departmental objectives. Purchasing a scanner for the department would help immensely. Below we suggest some areas that seem worthy of reconsideration.

Requisitions / purchase order (PO) process.

- *The auditor data enters every requisition into an Excel spreadsheet, then uses it to track the requisition balance as expenditures are made. This should be trackable in Fundware.*

- As more departments gain rights to data enter POs into Fundware directly, we suggest that the current five-color-copy PO form be phased out.
- *If a purchase order is part of a blanket PO, the assistant auditor creates a hard-copy requisition form to establish a paper trail. Along with the move away from the five-page PO, this step can be dispensed with. Departments could be instructed to data enter requisitions for all PO referrals, including blanket ones.*

Vendor warrant processing:

- *For every invoice sent to the auditor, departments attach a voucher. To minimize paper, we suggest that the auditor create and distribute a coversheet in Excel so that departments can submit batched invoices under one voucher. It should have columns for department and account codes, a box with a formula to sum the batch, and signature and date lines.*
- *When each invoice is received, the assistant auditor data stamps it, creates and attaches an auditor's tracking ticket, and also data enters it into an Excel log. The purpose of these steps is to prove when the invoice was received and to give it a unique identifier for tracking. Scanning the invoices as received would accomplish this in one step.*
- *After clerks data enter all invoices, they print a Fundware report for the assistant auditor to double-check the data accuracy. While this is a good verification and approval step, it would seem to be doable through an online review.*
- *The department maintains at least three other Excel databases for tracking invoices. One is a list of invoices and totals by department. A second warrant worksheet has only the totals by department aligned with payments and adjustment figures related to returned or postponed invoices. The third is a list of all invoices returned to departments and the reasons. All this information should be trackable in Fundware's PO module.*

Adhere to Monthly Schedule of Interdepartmental Reconciliations

We recommend that the city auditor meet with the new treasurer/collector to establish procedures for reconciling cash and receivables on an every-month basis. Under current practice, after the close of each month, the treasurer/collector sends a report to the auditor of her cash and receivable balances for the auditor to compare with her own. This would work well if the mutual balances were reviewed timely. However, actual reconciliations tend to lag about three months behind. The reconciliation of cash and receivables is an essential control whose timely and thorough completion should be prioritized.

Within the last few years, the auditor designed an Excel worksheet to facilitate reconciliations. It is a basic sheet with columns for filling in each department's balances side by side to easily identify any mismatches. While this is a good start, it loses some effectiveness when variances

are not resolved timely. Adhering to a strict monthly schedule will make discrepancies easier to identify and correct, minimize year-end work, and help safeguard city assets.

We advise the auditor to meet early with the new treasurer/collector to identify all the accounts to be reconciled. They should also establish two regular dates each month: 1) to exchange their balances and 2) to subsequently meet to discuss and resolve any variances. Once a system for reconciliations has been established, the assistants in each department should be trained to perform them too. This will further reinforce the monthly routine. Since the failure to comply with such a fundamental fiscal control can pose a risk to Taunton's credit worthiness, we believe the city has a strong vested interest in knowing that there is an effective reconciliation routine in place. As such, the CFO should require the city auditor to report monthly on the status of reconciliations, which could be done at meetings of the financial team.

Develop Strategies for Improving Financial Reporting and General Ledger Maintenance

Taunton's record for closing its annual books, submitting required reports to DOR, and preparing for annual outside audits has lagged well beyond the norm for the last several years. Keeping the general ledger balances more current throughout the year and resolving discrepancies as they arise are the keys to avoiding these delays. Our recommendations on staff training, paperwork reductions, and monthly reconciliations should help achieve these goals. Additionally, we recommend that the auditor develop a strategy to better coordinate with departments to assure an up-to-date general ledger throughout the year. This will involve improving communications, converting reports to electronic format, delegating some duties, and holding departments responsible for the timely and accurate management of their receipts and expenditures.

Per M.G.L. c. 41, §58, the city auditor is obligated to deliver monthly expenditure reports to all departments. However, in Taunton, these reports are only distributed every few months. The report is essentially a download of Fundware expenditure data distributed as a multi-hundred-page paper report, which is not conducive to easy reconciliation by the receiving departments. To meet her statutory requirements, stay on schedule for timely reporting, and maximize the utility of Fundware data, we offer the following advice:

Treasurer/collector report receipts to auditor. An assistant in the treasurer/collector's office enters this information into Zobrio software and gives a report to the city auditor. This is supposed to be done daily, and more treasurer/collector staff should be trained on this aspect of Zobrio to ensure timely consistency of reporting.

Auditor distribute monthly reports. In many city audit departments, this duty is assigned to the assistant auditor, and we think that would make sense for Taunton after necessary training. Fundware should be consulted on how to customize reports by department, and distribution of paper reports should be eliminated. Taunton has plans to grant most departments direct Fundware access. For those departments, the auditor should send monthly emails telling them to review their expenditure reports online and return confirmation of their review and any discrepancies within a set period, like two weeks. For any department without Fundware access, the auditor should send the same notice and include a Portable Document Format (PDF) or Excel version of its report.

Distribute quarterly revenue reports to departments and policymakers. While not statutorily required, reports comparing actual revenue collections to budgeted revenues provide useful management information, so we recommend them. They can offer meaningful insight into fiscal year trends, give early warning of revenue shortfalls, and are valuable for making revenue estimates during the budget process.

Notify departments of year-end closing procedures. By the last week of May, the auditor should send an email to all departments reminding them that they must provide notice of all fiscal year encumbrances by June 30th. This notice should state that any invoice received beyond that date will be held over for payment into the new fiscal year and may face rejection by the city auditor.

Support Technology Improvements

The effective use of technology is an essential component of contemporary municipal government, but it is an area of major deficiency in Taunton. In the recommendations of Custom Computer, however, the city has a useful guide as to where improvements can be made. And the acting IT director adds a first-hand, practical perspective on where resources might best be expended. We share his opinion that network upgrades and a helpdesk system make sense. Although we recognize his time constraints as a one-person department, we recommend that he make it a priority to complete an inventory of hardware and software to provide the basis for a long-term maintenance and replacement plan.

Further, we encourage the IT director to initiate a process with the ITAB and city finance officers as a group to examine ways to improve the exchange of data between departments. There is currently a wide array of financial software applications in use, and although some are provided by the same software company, most do not interface seamlessly, if at all. By addressing this issue, the city can significantly improve its ability to keep records current, complete audits, and meet DOR submission deadlines. Lastly, as a general approach, we underscore the importance of investing money only in technology upgrades that can "travel" with government if and when it moves back to city hall.

Maintain Records of Employee Leave Time in a Single, Central Database

We recommend that Taunton act expeditiously to establish a single, central database for maintaining records of employee leave time. At present, at least four databases are being used to record leave time earned and used. This practice not only wastes time but also leaves open opportunities for employees to challenge any discrepancies. The city must determine its current liability and should subsequently maintain only one leave time database.

In accounting terminology, earned employee leave time is known as compensated absences. Leave balances accrue at rates based on union agreements and personal service contracts or policy. Unused amounts represent future liabilities for the city when employees retire. In annual financial reports, the auditor must report the city's total accrued liability for employee leave time. Some years ago, KPMG auditors determined that they could not validate the city's figure for compensated absences, which at that time were being tracked by the treasurer/collector's office. To address the issue, the city auditor engaged the services of a private accountant to conduct a compensated balances audit. That decision was made in May 2008, and this consultant has been working for Taunton on a weekly part-time basis ever since, and yet accrual balances have still not been determined.

In hiring a consultant, the city auditor effectively became a contract manager. As such, the auditor should hold the consultant to the terms of a contract, which should include defined job duties, standards for performance, and grounds for contract termination. The consultant provided an estimate to us that the compensated absences review will not be completed until late in FY14 or later. One reason for the protracted duration of this project appears to be the assigning of ad hoc projects to the consultant, much of which are essentially support work for some higher-level, customary functions of the office rather than true internal audits. The city's compensated absence balance needs to be set as soon as possible. Incidental work notwithstanding, it is hard to comprehend how an audit to bring the city's liability up to date can turn into a project lasting five years and more. We therefore urge the city auditor to fulfill her contract manager duties by setting a definitive date for completing the compensated absences project and penalties for failing to meet the deadline.

Presently, there are four databases tracking employee leave time, either citywide or for certain departments. The police, fire, and public works departments data enter their leave time in a Kronos database (#1). They generate Kronos hard-copy reports weekly and forward them to the auditor's office. All other departments submit their payroll and leave time data to the auditor via

hard-copy Excel worksheets. Auditor staff data enter the payroll amounts from these sheets into Fundware, then forward them to the treasurer/collector's office. Staff there then enter payroll and leave time data into the Harpers Payroll Service database (#2). The treasurer/collector sends a Harpers report back to the auditor, who checks that the totals match up with Fundware before generating the payroll warrant. The audit consultant data enters the Harper's report data into an Excel database for compensated absences (#3). The treasurer/collector forwards the Excel time sheets (only) to the HR director's office for her staff to data enter into another leave time database in Excel (#4). The HR director then gets the Harpers report and matches it with the balances in her database.

The best solution, once the consultant's audit verifies leave time balances, would be to update Harpers with the audit results, then give all departments data entry rights to Harpers to enter their own attendance information from then on. This could be done either at the employee level or by department heads or their assistants. The department head would have to make an online approval of the data before it can be further processed by the treasurer/collector. The Massachusetts Uniform Electronic Transactions Act allows municipalities to electronically transfer authorizing signatures to comply with the requirement that department heads sign off on time sheets. If this is unworkable for any reason, hard-copy documents could still be used to report time, but Harpers should be used as the only database for calculating and maintaining employee leave balances. Unless Kronos can be programed to electronically interface with Harpers, it is hard to justify continuing to pay for a contract that forces two layers of data entry.

Develop Policy and Procedure Manuals for Financial Operations

We recommend that the city auditor and treasurer/collector work with their staffs to develop written financial management policies and create procedural manuals. The purpose of a written policy is to make clear the purpose of activities in context with departmental goals and with legal requirements and responsibilities. A procedures manual outlines the specific steps required to accomplish the objectives spelled out in the policies, emphasizing the internal controls designed to assure that the intended outcomes of activities are achieved. Taunton's new treasurer/collector developed cash management policies while working in her previous community, and we encourage her plans to revise, expand and tailor them for Taunton.

Without these documents, employees often perform activities simply because of on-the-job training examples. A lack of emphasis on the rationale for particular controls can encourage circumvention. Conversely, the process of creating manuals can help managers to discover redundant controls and to make risk assessment decisions on the cost of sustaining particular

controls or adding new ones. Manuals help to maintain services when there are unexpected employee absences, and they also support the training of new hires. Furthermore, credit rating agencies look favorably on communities with formal policies and procedures.

The manuals could be assembled as binders with loose-leaf papers containing a combination of the pertinent policies, statements of objectives, step-by-step instructions, and related software application screenshots. However, we feel that the manuals would be most useful in electronic formats (like PDFs) and stored on shared drives for easy access. Staff could also save certain manuals as desktop shortcuts to serve as cheat-sheets for daily tasks. While some policies have applicability within a department only, others, like turnovers or purchasing, apply citywide and should be distributed accordingly.

Increase the Frequency of Turnovers

As a first policy issuance, we recommend that the treasurer/collector issue a directive requiring all departments to turn over receipts at least weekly and more often when certain thresholds are met. Some departments regularly take in large amounts of money and wait many days or even weeks to turn the receipts over to the treasurer/collector. These turnover totals can run into thousands of dollars, sums that would be useful for accurately monitoring cash flow. The policy should state that every department must turn over any monies received at least weekly and must turn over amounts exceeding \$100 on the same day. In each instance, three copies of a standard turnover sheet should be attached: one for the department, one for the treasurer/collector, and the last for the city auditor.

Process Payroll and Vendor Warrants Biweekly

We recommend that the city consider switching to a biweekly schedule for processing payroll and vendor warrants. Doing so will reduce paperwork, simplify reporting, and ease workloads in the treasurer/collector's and auditor's offices.

Payroll processing, which is particularly time-consuming, would realize the greater efficiency impact. It takes no more effort for departments to report two weeks of payroll data versus one, but eliminating the associated processing work for the central financial staff every other week will allow them to spend more time on other important tasks. The accounting, cash flow, and productivity benefits associated with biweekly payroll are well established, making it the most common payroll standard in the public and private sectors. Any change in payroll cycle would need to be bargained with the city's unions, however.

For vendor warrants, converting to a biweekly warrant schedule should not pose risks to meeting the 30-day payment standard so long as departments submit timely invoices to the city auditor. Also, fewer checks will be generated since auditor staff can consolidate invoice payables received for the same vendors during the two-week span. We also recommend that the city auditor discontinue the practice of attaching all original invoices and vouchers to the warrant for the approval by city council (or by the mayor, as we recommend). Fundware should be able to generate a full list of vendor data and payment amounts sufficient for review and endorsement by either. The auditor should simply keep the set of the invoice documents until checks are issued and then file them with the signed warrant.

Resolve Tailings Backlog

We recommend that the treasurer/collector establish a process to address the volume of tailings. A tailing is the common term applied to any check issued by the treasury for payroll, vendor obligations or tax refunds, that is not cashed timely by the payee. Outstanding tailing balances represent debit liabilities on the city's books.

Based on a report from the auditor, the city's outstanding tailing balance as of February 2012 was just over a half million dollars. Per a subsequent interview with the interim treasurer/collector, no effort has been expended to address tailings since prior to her original retirement in 2010. Also, the system used in the past was highly manual. Treasurer staff accounted for tailings by using information from bank statements to data enter the details of outstanding checks in Excel sheets. Back then, occasional efforts were made to try to contact check recipients, but no advertising of the checks was done.

We advise the new treasurer/collector to implement procedures in compliance with M.G.L. c. 200A, §5, 7 and 9 to resolve the balance in the tailings account. To minimize future unclaimed checks, we recommend the treasurer/collector do the following:

- Generate a monthly report of outstanding checks from Fundware by reconciling bank statements to the online cashbook page that lists check issuances.
- On a monthly basis, notify appropriate departments of any vendor, employee or other checks that are uncashed beyond 30 days.
- Request that department heads contact payees to ascertain why checks have not been cashed.

- Generate a report each month of outstanding checks older than one year. Void each of these outstanding checks and notify the accountant. The city's obligation remains, but any future reissuance will require a new invoice and warrant.

Organize All Contracts and Grants

From our observations and discussions, it appears that a source of inefficiency in the city auditor's office is the disorganized maintenance of contracts and grants. Before the auditor can authorize any payment associated with a contract or grant, she must be able to verify that it is consistent with the terms of the agreement by reviewing a copy of the document itself. This does not pose a significant time demand for familiar, long-time agreements. But many other contracts and grants are not filed in a single, organized place but rather are piled up or filed in various spots around the office, causing unnecessary processing delays and imposing on time that could be spent more constructively. Rummaging through piles of paper can also deplete morale.

Based on our discussions, there have been plans to purchase a scanner for the department. If this has not happened already, we strongly advocate for it. Once purchased, time should be set aside for a project to organize all the contracts and grants, and to scan them into electronic versions. While this may be no small task, in the end it will be well worth it. Going forward, it naturally makes sense that every future contract also be scanned immediately upon receipt.

Appendix

Massachusetts Gateway Cities

Below we present data for Taunton in relation to the other Massachusetts communities identified as Gateway Cities under M.G.L. c. 23A §3A. The state figures are based on information submitted by municipalities to the Department of Revenue.

| Municipality | 2010 Population | Total Budget | State Aid % of Budget | 2013 Avg SF Tax Bill | 2010 Per Capita Income | 2012 EQV Per Capita | 2011 Debt % of Budget | Free Cash Amount as of 7/1/2012 | FY11 Stabilization Fund | Moody's Bond Rating | S&P Bond Rating |
|-----------------|-----------------|--------------------|-----------------------|----------------------|------------------------|---------------------|-----------------------|---------------------------------|-------------------------|---------------------|-----------------|
| Worcester | 181,045 | 619,151,955 | 43.44 | 3,492 | 18,344 | 67,241 | 13.76 | 4,284,511 | 9,873,934 | A1 | A- |
| Springfield | 153,060 | 578,583,680 | 58.86 | 2,507 | 13,136 | 47,258 | 7.49 | 7,498,622 | 45,400,579 | A2 | A- |
| Lowell | 106,519 | 328,095,926 | 48.71 | 3,273 | 18,995 | 61,302 | 13.48 | 6,411,250 | 5,986,244 | A1 | A |
| New Bedford | 95,072 | 296,561,069 | 47.2 | 2,763 | 14,472 | 61,203 | 8.61 | 7,561,187 | 8,266,611 | A1 | |
| Brockton | 93,810 | 367,289,601 | 46.27 | 3,112 | 17,476 | 63,812 | 7.04 | 13,318,577 | 3,668,809 | Aa3 | A |
| Quincy | 92,271 | 303,333,214 | 14.19 | 4,597 | 27,658 | 123,432 | 4.22 | 2,104,284 | 6,035,673 | Aa3 | A+ |
| Lynn | 90,329 | 277,298,883 | 54.99 | 3,651 | 17,258 | 63,465 | 5.18 | 16,477,335 | 0 | A1 | A- |
| Fall River | 88,857 | 259,130,818 | 46.91 | 2,505 | 14,536 | 64,262 | 11 | 3,157,425 | 705,153 | A1 | BBB |
| Lawrence | 76,377 | 266,485,599 | 67.55 | 2,530 | 11,893 | 39,972 | 6.73 | 6,600,818 | 0 | Baa1 | BBB |
| Haverhill | 60,879 | 169,916,322 | 31.04 | 3,830 | 24,098 | 89,665 | 8.13 | 6,012,631 | 729,191 | A1 | A+ |
| Malden | 59,450 | 177,075,753 | 37.29 | | 21,175 | 86,273 | 9.06 | 8,627,395 | 51,440 | A1 | A |
| Taunton | 55,874 | 188,210,067 | 31.36 | 3,124 | 21,036 | 88,929 | 6.43 | (2,096,231) | 1,314,014 | A1 | AA- |
| Chicopee | 55,298 | 177,195,256 | 39.04 | 2,696 | 17,854 | 67,547 | 4.7 | 6,105,047 | 8,983,355 | Aa3 | A+ |
| Revere | 51,755 | 158,052,273 | 35.75 | 3,646 | 19,195 | 77,538 | 3.07 | 2,851,427 | 1,244,428 | A1 | A |
| Peabody | 51,251 | 151,781,284 | 16.79 | 3,680 | 26,611 | 127,561 | 4.05 | 12,419,682 | 3,464,564 | Aa1 | - |
| Methuen | 47,255 | 138,821,411 | 35.54 | 3,660 | 25,354 | 99,805 | 7.81 | 799,506 | 194,956 | A1 | |
| Barnstable | 45,193 | 169,408,309 | 8.54 | | 29,719 | 306,780 | 11.27 | 17,272,393 | 7,250,335 | | AAA |
| Pittsfield | 44,737 | 143,183,567 | 34.95 | 2,965 | 21,770 | 79,881 | 7.38 | 5,672,057 | 3,451,053 | A1 | A |
| Attleboro | 43,593 | 128,348,996 | 32.14 | 3,456 | 26,131 | 94,824 | 11.65 | 2,218,557 | 2,385,619 | A1 | A+ |
| Everett | 41,667 | 169,794,446 | 34.47 | | 16,566 | 87,679 | 5.72 | 5,305,529 | 9,224,016 | Aa3 | |
| Salem | 41,340 | 136,792,744 | 22.44 | 4,666 | 25,294 | 102,971 | 5.71 | 2,525,829 | 2,736,777 | Aa3 | A |
| Westfield | 41,094 | 137,828,216 | 30.25 | 3,924 | 22,803 | 82,335 | 7.65 | 2,747,033 | 7,227,567 | A1 | A+ |
| Leominster | 40,759 | 127,156,880 | 39.11 | 3,771 | 24,049 | 84,820 | 5.27 | 6,467,484 | 11,092,716 | Aa2 | |
| Fitchburg | 40,318 | 129,083,290 | 43.29 | 2,981 | 16,553 | 57,720 | 8.14 | 4,169,693 | 3,051,036 | A1 | A- |
| Holyoke | 39,880 | 149,585,109 | 53.12 | 3,330 | 14,612 | 54,487 | 4.52 | 5,312,932 | 10,716,342 | A1 | A+ |
| Chelsea | 35,177 | 141,534,606 | 45.99 | | 14,969 | 63,614 | 19.65 | 10,759,219 | 10,767,201 | A1 | A+ |
| Averages | 68,187 | 226,526,895 | 38.43 | 3,371 | 20,060 | 86,322 | 7.99 | 6,330,161 | 6,300,831 | | |

Acknowledgments

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In preparing this review, DLS interviewed the following local officials:

Mayor Thomas Hoye, Jr.

Alyssa Gracia, Mayoral Assistant

Gill Enos, Budget Director

Mariann Punda, Mayor's Secretary

John McCaul, City Council President

David Pottier, City Council

Ryan Colton, City Council

Jason Buffington, City Solicitor

Rose Marie Blackwell, City Clerk

Barry Cooperstein, Assessor

Scott DeSantis, Assessor

Kathy Grein, Assessor

Lisa LaBelle, Assistant Assessor

Debbie Dean, Principal Clerk

Matthew Burns, Acting Director of
Automation

Maria Gomes, Human Resources Director

Ann Hebert, City Auditor

Christina Boyan, Assistant City Auditor

Domenick Coppola, Consultant Internal
Auditor

Sandy Kingsbury, Head Admin Clerk

Deborah Abbott, Principal Clerk

Lynn Curtin, Principal Clerk

Barbara Auger, Treasurer/Collector

Jayne Ross, Acting Treasurer/Collector

Julie Bertram, Assistant Treasurer/Collector

Pamela Souza, Assistant Treasurer

Linda Silvia, Head Municipal Clerk

Carol Frazier, Treasurer Clerk

Jean Costa, Head Collector Clerk

Lisa Warchal, Head Admin Clerk

Denise Mercurio, Principal Clerk