



Town of Topsfield

Financial Management Review

Division of Local Services / Technical Assistance Bureau

March 2008

Introduction

At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the Town of Topsfield.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the selectmen, members of the finance committee, town accountant, town treasurer/collector, town clerk, principal assessor, as well as other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records. Other documents reviewed included the town's outside audits for fiscal years 2005 and 2006 completed by Giusti, Hingston and Company.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the town's budget, warrant and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the selectman and others, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various boards, committees and officials.

Overview

Topsfield is an old farming town in the central part of Essex County, 25 miles from Boston. Ipswich bounds it on the northeast, Hamilton on the east, Wenham on the southeast, Danvers on the south, and Middleton and Boxford on the west.

The level lands along the Agawam (or Ipswich) River were occupied as early as 1635. The town was originally a part of Ipswich, and the old village was known as New Meadows. It was formally set apart and named "Toppesfield," on October 18, 1648; and on October 18, 1650, it was made a town, a small parish in England probably furnishing the name. The town is also the home of America's oldest agricultural fair, [The Topsfield Fair](#), first held in 1818.

At 6,130 in 2006, Topsfield's population is fairly static, declining by only 30 persons since the 2000 census. In the 1950s and 1960s the town experienced rapid population growth, doubled in size, and became a bedroom community for residents working in surrounding commercial cities and towns, with very little commercial or industrial development of its own. Today, looking ahead, water resources pose a constraint to future development. The absence of town sewers and the requirement for all lots to provide on-site septic systems also serves to limit development, both residential and commercial/industrial. In fact, town-wide sewers have been rejected consistently in the past, in large part to limit development and preserve the rural character of the town. Despite these constraints, and the abundance of wetlands, Topsfield's schools, rural character, proximity to Boston and desirable neighborhoods has brought some development pressure to bear on the town.

Topsfield's government and fiscal management fall under the control of a mix of elected and appointed officials. A five-member board of selectmen is the executive branch of government. They appoint the accountant and the town administrator. The town moderator appoints the seven-member finance committee. A three-member board of assessors is also elected, and appoints the principal assessor. Coordinating the day-to-day financial responsibilities of the town and overseeing full-time department managers for the last year is a full-time town administrator. Consequently, the selectmen no longer have to devote a considerable amount of time and attention to the daily affairs of town government. The town administrator appoints the treasurer/collector, serves as the town's personnel director and is responsible for presenting a capital improvement plan to the selectmen each year.

The full-time town administrator has a high degree of control and authority, and the support of the selectmen, to see that necessary tasks get accomplished. She has formed a series of management teams to assist her in problem solving and planning, including a financial management team, a public safety team, and a general operations team. The budget process is well defined and runs smoothly, beginning with revenue and expenditure forecasts in the fall and culminating with the finance committee's presentation of a balanced budget proposal to town meeting in May.

Topsfield has fiscal 2008 budget revenues of \$21.7 million funded largely by local property taxes (71.6 percent); state aid and local receipts account for another 11 percent each. The town's average single-family tax bill is \$7,008 in fiscal 2008, and has historically averaged 72 percent

above the state average since fiscal 2000. While significantly higher than the state-wide average, the increase in the average tax bill has mirrored the state since 2000 (50.6 percent increase in Topsfield compared to a 47.9 percent increase statewide). With a single tax rate of \$11.57 per \$1,000 in 2007, Topsfield's residential tax rate is the fifth highest in Essex County while its commercial/industrial/personal property tax rate is 15th highest out of the 34 cities and towns in the county. The town consistently taxes close to its full levy capacity and has approved a Proposition 2 ½ override, a capital exclusion, or a debt exclusion in every year since 1990 with the exception of 1995. The cumulative effect of the overrides has added \$3.1 million, or almost 20 percent, to the 2008 levy.

Like many cities and towns, most of town revenues are spent on education funding. Almost 60 percent of general fund revenues support the town's own K-6 school and the 7-12 regional school shared with Boxford and Middleton. Of the overrides mentioned above, 18 of 30 and another ten debt exclusions (including six for the regional schools) funded education.

While the town lacks a reserve policy its reserve levels are relatively healthy. Topsfield entered fiscal 2008 with \$906,554, or about 4 percent of its budget, in its stabilization fund. Topsfield also started the year with a sizeable free cash balance of \$1.3 million or 6.3 percent of its annual budget. Together these two reserve sources total more than \$2 million and approximately 10 percent of the town's budget. At the same time, the town maintains only a limited capital spending plan and there is growing concern about the condition of town buildings.

Conclusion –Overall, town government is well run. Managers and staff are capable and committed. The new town administrator effectively provides the centralized management structure needed to guide decision making. Financial checks and balances are in place. Finance-related and technology-related committee members are engaged and committed. However, more focus on long-range planning needs to occur, and we recommend as much. Another area of focus is the potential to improve or streamline procedures in various finance-related departments. Some internal controls are redundant. Still other cumbersome processes could be streamlined through the use of technology.

With last year's appointment of a permanent town administrator, the personnel components are clearly in place for government to chart a better course for the future. Our report is designed to provide tools and frameworks that will help board/committee members and staff moving forward.

Table of Report Recommendations

Overall Financial Management (page 4)

- 1) Adopt Reserve Policies
- 2) Secure Funding for Capital Improvements
- 3) Formulate Other Post-Employment Benefit (OPEB) Liability Policy
- 4) Evaluate Participation in the Group Insurance Commission
- 5) Develop a Manual of Uniform Financial Procedures
- 6) Comply with MGL Ch. 41 §46
- 7) Re-examine the Payroll Process and Related Record-keeping

Computers and Technology (page 13)

- 8) Centralize Technology Administration and Budget
- 9) Create a Training Program for Town Hall Staff

Treasurer/Collector (page 16)

- 10) Improve Security in the Office
- 11) Eliminate Redundancies
- 12) Impose the Maximum Penalty for Bounced Checks
- 13) Adopt Chapter 60 §23B
- 14) Create Uninterrupted Time for Staff

Accountant (page 19)

- 15) Redesign Departmental Turnover Sheets
- 16) Consolidate Accounts on Vendor Checks
- 17) Cease Sending Warrants to Departments

Assessors (page 21)

- 18) Make Forms Available on the Town Website
- 19) Place Property Records On-Line
- 20) Require Electronic Submission of Plans
- 21) Record Formal Votes

Overall Financial Management

A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact town government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the town's organizational structure on the operation of government. We examined the purchasing system and personnel administration. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

There is a commitment to government and a strong spirit of participation in Topsfield that had allowed the town to function reasonably well up to now with management by part-time officials and volunteer boards. As the demands of government have increased, the town realized they would benefit from a full time coordinating presence in town hall and hired their first town administrator a year ago. She has formed a financial management team to assist her in managing the town's finances. The town administrator has responsibility for crafting the town's capital improvement program and serves as the town's personnel director.

The budget process in Topsfield is well-defined and initiated by the chair of the seven-member finance committee appointed by the moderator. The process starts in November with the development of revenue projections and budget guidelines. At that time, the finance committee circulates forms and instructions for budget requests to all departments for return in early January, giving them about four weeks to return them. The finance committee reviews the departmental requests for compliance with contracts, holds hearings and drafts a budget for presentation at an "all-boards" meeting (a joint meeting of the selectmen and school and finance committees) in early May. From this meeting, the selectmen formulate their budget for presentation to town meeting which typically incorporates finance committee recommendations.

On balance, the finance-related offices of the treasurer/collector and accountant are effective in the execution of the tasks required in the collection and deposit of receipts, and in producing vendor and payroll warrants for review and approval by the selectmen. The assessors are timely in delivering the commitments of taxes to the collector and a regular exchange of information between offices typically takes place.

All of the financial officers have served the town for years: the accountant began two years ago and was previously the treasurer/collector in Georgetown and Topsfield before that; the treasurer/collector eight years; and, the principal assessor 24 years. All are appointed, the accountant by the board of selectmen, the treasurer/collector by the town administrator and the principal assessor by the board of assessors.

Staff collaborate and cooperate, as well, in the preparation of required submissions to DOR. The balance sheet (for free cash certification) is completed by the accountant, as is the town's Schedule A (a year-end report of financial activity). Finally, the accountant, assessors and town clerk collaborate on the preparation of the town's Tax Recap Sheet, which is the basis of DOR approval of the annual tax rate. DOR needs to approve Tax Recap submissions in December in order to generate the first actual quarterly tax bill on time. Topsfield consistently meets this deadline.

During the course of our review, we noted the general lack of any official statements of financial policies. Absent are formal policies for debt and reserve levels. Yet, despite this lack of formal policies, the town has been able to build sizable reserves, Capital planning is now the responsibility of the new town administrator and the process uses DOR's "Best Practices" as a guide. However, funding for capital improvements has only been budgeted at \$100,000 for fiscal 2009. The town needs to find a way to increase funding on capital or its needs will escalate in the years ahead.

In the preparation of payroll, the process could benefit from more uniformity. In addition, there are some opportunities to streamline the process. Employees presently fill out time sheets for their department head's signature. Weekly cover sheets are forwarded by departments to the assistant accountant who checks the department heads' calculations of gross pay and transcribes the use of sick and vacation time by employees into an Excel sheet to track accruals by employee. (There are as many different time sheets and cover sheets as there are departments.) She then photocopies the cover sheets for the payroll benefit administrator in the treasurer/collector's office to enter into the payroll software. The information is transferred back to the accountant who prepares a payroll warrant by account for the selectmen's signature. As a result of cooperation and the system in place, payroll checks are issued on time. However, there are opportunities to eliminate some redundancies and to reduce the amount of paper generated. Also, the warrant should be prepared by individual instead of account number so the selectmen can better understand what they are approving. We were pleased to note that the town is moving to a bi-weekly payroll for town employees, and suggest that they consider requiring direct deposit as well.

The town reacts to the outside audit to adopt procedures that correct potential sources of concern. They have password protected the financial software, have adopted

policies to write-off older motor vehicle excise and personal property tax receivables, and contracted for an actuarial evaluation of Other Post Employment Benefits (OPEB) Liability in response to the outside auditor's last two management letters.

Conclusion – What one could say about overall financial management in Topsfield could also be said of many communities in Massachusetts – that while day-to-day operations are generally sound, more focus is needed on long-term planning. Formal statements on debt and reserve policies are missing. Better planning for the funding of capital improvements, health insurance and retirement benefits are needed.

These decisions are difficult and increasingly common among Massachusetts municipalities under Proposition 2½. Accordingly, our recommendations are intended to provide local leaders with the tools to better anticipate, explain and plan for future fiscal conditions. As immediate steps, we advocate clear policies on the use of reserves. We also suggest ways to create efficiencies and to improve the payroll process.

Recommendation 1: Adopt Reserve Policies

We recommend that the selectmen formally adopt reserve policies. The combination of competing spending priorities and limited revenue options make building reserves a challenging task. Often, depending on the fiscal circumstances facing town meeting, it can be difficult to preserve a sizable reserve balance. Policies to contribute additional revenues to reserves and to restrict spending of reserve funds can help and should be formally adopted.

Formal written policies that establish guidelines for funding and maintaining reserves can help a community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, its long-term cost to fund major projects. A prudent reserve policy will:

- Establish target balances for the stabilization fund, annual free cash and other reserves in a total dollar amount or as a percentage of the total annual budget. The policy may develop a schedule of annual appropriations to stabilization, and/or limitations on the use of free cash, designed to reach and sustain target balances gradually over time;
- Direct the use of all or a portion of free cash as a funding source for stabilization, or as an outlay for one-time capital projects or purchases. It will direct the use of revenue from a specific recurring income source (i.e., rental income) for similar purposes;

- Specify that if free cash must be used for operations, its use will be restricted as a general revenue source for the ensuing year's budget and to a maximum percentage of total free cash available;
- Restrict the use of unexpected, non-recurring revenue, or surplus revenue, to one-time costs, to tax levy relief, etc.;
- Restrict the use of the stabilization fund to non-recurring expenditures and only in an amount above a certain dollar threshold. It will set similar guidelines on use of free cash.

Recommendation 2: Secure Funding For Capital Improvement Program

We recommend that the town establish a recurring funding source for capital improvements. In order to budget on a prospective basis, we recommend that the town adopt a permanent policy that identifies a consistent, annual funding source, or expenditure level, for capital improvements. Many communities base capital expenditures on a percentage of total projected general revenue (excluding free cash, stabilization, and other one-time income), while others dedicate a portion of free cash. Policies would set out which projects qualify for bonding by defining a capital item in terms of a threshold dollar amount and useful life; which might be accomplished through direct capital outlay; and, which qualify for a capital outlay expenditure exclusion under Proposition 2½.

We recommend that, to the extent possible, all capital expenditures be included in one of two capital articles on the town meeting warrant. Topsfield currently proposes individual capital projects in their own town meeting articles. As an alternative, capital projects to be funded through borrowing can be incorporated into a single warrant article, because an authorization to bond requires a two thirds vote of town meeting. In some instances, a separate vote in a separate article will be required by bond counsel. Capital projects to be funded by direct dollar outlays require only a majority vote and can be consolidated in a second warrant article. Although one vote is taken on each article, each project within the article is regarded as an individual motion and can be separately debated and amended.

The presentation of capital information through two articles will go far to help town meeting see a comprehensive capital program. In addition, a five-year plan can be included in an appendix. Wherever it is located, each capital project or purchase must be sufficiently described so that town meeting members understand what is being voted. A funding source, as well, must be identified for each proposed capital expenditure. Of

course, any articles dealing with bond authorization should be reviewed in advance by bond counsel.

Recommendation 3: Formulate Other Post-Employment Benefits Liability Policy

We recommend the town formulate a policy in response to its Other Post-Employment Benefits (OPEB) liability. The OPEB unfunded liability is the cost assigned to benefits other than pensions already earned by public employees and to be distributed upon retirement. A town's OPEB obligations generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their spouses. They may also include some type of life insurance.

While there is no requirement to fund the OPEB liability thus far, the Governmental Accounting Standards Board (GASB) Statement 45 requires that the dollar value of the liability be determined every two years for governments with 200 or more participants. After it completes its evaluation, which is required in fiscal 2009 under GASB 45, the town should define an OPEB policy. It may be as simple as confirming that costs will be covered on a "pay-as-you-go" basis, working toward the establishment of a reserve through special legislation as some communities have done, or a combination of the two.

For additional information regarding OPEB, and steps to reduce the size of the liability, see resources available on the Department of Revenue, [Division of Local Services website](#). In addition, the Government Finance Officers Association (GFOA) has published a request for proposal checklist for OPEB actuarial valuations, see [OPEB RFP checklist](#) for details.

Recommendation 4: Evaluate Participation in the Group Insurance Commission

We recommend that Topsfield explore providing employee health insurance through the state's Group Insurance Commission (GIC). As part of the Municipal Partnership Act [Chapter 67 of the Acts of 2007](#), cities and towns are now permitted to join the state's Group Insurance Commission (GIC). GIC rate increases have been significantly lower and less volatile than the rate increases experienced in Topsfield. The town's spending on employee health insurance increased by 97 percent from fiscal 2001 to fiscal 2006, compared to the GIC increase of 48 percent. In total, the cost of health insurance to Topsfield is roughly 5 percent of the annual budget.

Although plans offered by GIC may not be identical to those provided through the town, they offer comparable health coverage with a variety of cost and coverage options

for enrollees. Available options include indemnity, preferred provider-type organizations (PPO), and HMO plans. In addition, Topsfield would benefit from participation in an extremely large risk pool of about 300,000 subscribers, which allows for significant purchasing power in the health care market.

In order for Topsfield to join the GIC, local officials must negotiate the conditions for acceptance with union and retiree representatives. Under this coalition bargaining process, union votes are weighted based on enrollment, with retirees having ten percent of the vote. An agreement to join GIC must be approved by at least 70 percent of the weighted votes. Additional information regarding participation in GIC is available on the [Commonwealth of Massachusetts Group Insurance Commission](#) website.

Recommendation 5: Develop a Manual of Uniform Financial Procedures

We recommend that the town administrator work with departments to develop procedural manuals for all routine financial tasks. A procedural manual can be a valuable “how to” resource for staff who are new to a position, as well as current employees. Manuals frequently take the form of a loose-leaf notebook that contains step-by-step instructions on how to accomplish routine and important office tasks. To illustrate computer-related procedures, a printed image depicting the actual computer screen display for each step should be included. By walking through and documenting screen displays, staff will become more comfortable with regular procedures and knowledgeable of those less frequently used, or previously unknown. The manuals can serve as a ready reference for use in keeping an office in operation when staff is short, and are also a valuable training tool for new staff. In addition, as a result of developing procedure manuals, the town administrator and department heads may be able to work with staff to devise easier, more efficient and responsive ways of accomplishing requisite office tasks. The town has a head start in this regard as the assistant assessor and chief procurement officer already maintain detailed procedure manuals.

Recommendation 6: Comply with M.G.L. Ch. 41 §46

We recommend that the town place custodial control of the town’s trust funds with the town treasurer as required by M.G.L. Ch. 41 §46. The town is fortunate to have over \$8 million in 16 trust funds established for limited and specific purposes, including \$7 million for the town’s library. Currently, the three-member elected board of trust commissioners manages the investment, banking and disbursement of the funds and report their activity to the treasurer. Under state law, the trust fund commissioners have

the authority to direct the treasurer how to invest the funds unless the donor has explicitly specified that the management of the funds be vested in another person or entity. However, the treasurer should be the custodian of all trust funds, meaning that donations should be held in bank or investment accounts under her control. As such, the treasurer would execute investment decisions in compliance with M.G.L. Ch. 44 §54.

The trust commissioners also ensure that expenditures are consistent with the intent of the donors, again unless that duty has been granted to another specific person, board or department. This determination duplicates the statutorily required review of every proposed town expenditure by the accountant to confirm that sufficient money is in the account (in this case, trust fund) to be charged, that no fraud is evident and that the purpose of the intended purchase is consistent with that of the account to be charged.

Therefore, we recommend that the trust funds be immediately transferred to accounts under the control of the treasurer. In addition, we recommend that all trust agreements, or instructions, be reviewed to determine whether responsibility to manage trust funds is placed in a specific person, board or department.

Recommendation 7: Re-examine the Payroll Process and Related Record-keeping

We recommend that the town administrator, the accountant and the treasurer/collector meet to reevaluate the current payroll process and related recordkeeping to create efficiencies. The payroll process cuts through all departments starting with individual time sheets at the department level. The town is already initiating one change to the process by moving to pay town employees bi-weekly just as they do the school employees.

Other changes the town might consider to improve the payroll process include:

We recommend that the accountant work with the treasurer/collector to develop a uniform summary sheet of employee hours worked for department heads to submit. The assistant treasurer currently prepares a weekly payroll report for the accountant by re-keying information from the individual time sheets she receives for all of the town's employees. Instead, each department should submit a uniform summary sheet, signed by the department head, listing names of all employees, total hours worked, including any sick or vacation time, and gross pay for the pay period. The assistant treasurer could extract the information she needs and then forward the spreadsheets received from each department to the accountant. If stored in a spreadsheet template, a new weekly report from each department could be easily generated. Individual timesheets signed by employees would remain with department heads. This system would also provide

department heads direct access to the time sheets in the event that they need to resolve an employee dispute over time.

We recommend that the town move toward direct deposit of payroll for all employees. For the town, this would reduce the cost of issuing checks, prevent the need to reissue checks when lost, and simplify the reconciliation of the payroll bank accounts because there would be no outstanding checks. For the employee, the benefit is the money generally is deposited in the bank account overnight, is available immediately, and saves the time necessary to go to the bank and wait in line. This proposed change will require revisions to the town's collective bargaining agreements.

We recommend that the payroll warrant provide detail by employee. Under current practice, the selectmen are presented with a payroll warrant listing salary amounts by account number with totals for withholdings. While this format is appropriate for the purposes of the accountant, gross, and preferably net, salary amounts for each employee is required on payroll warrants for selectmen approval.

Whether incorporated into the warrant or attached as back-up documentation, payroll detail by employee must be made available to the board of selectmen if it is to fulfill its statutory responsibilities. Specifically, to approve the payroll warrant as required under MGL Ch. 41, §52, selectmen must be able to inspect and view each individual payment, which in this case would, at least, be an employee's name and gross salary. Net salary might also be included, but not individual withholding amounts. The same information must find its way to the treasurer so that checks may be drawn.

We recommend that the treasurer discontinue posting payroll withholdings as receipts. In addition to salary amounts due individual employees, the payroll warrant should identify the aggregate amount due for employees' federal tax, state tax as well as for other withholding categories. With approval of the payroll warrant by the selectmen, the treasurer is thereby authorized to disburse withholding amounts, as well as release employee pay. To fund the withholdings expenditures on the vendor warrant, the treasurer makes a bookkeeping entry that records the withholding amounts as receipts. This unnecessary procedure overstates receipts and expenditures. With the approval of the warrant no further balancing entries in the treasurer's record are necessary. Specifically, withholdings need not be recorded as receipts (nor disbursed through a vendor warrant).

We recommend that all longevity payments be distributed in July at the start of the fiscal year. For each payroll, the payroll benefit administrator must review a list of employees to identify who is entitled to a longevity payment based on their service anniversary date. As a result, longevity checks are issued throughout the year. This is an inefficient expenditure of time.

We recommend instead a policy stating that a person who qualifies for a longevity payment will begin receiving it in the next fiscal year, as opposed to their service anniversary date. In this way, longevity checks can be distributed at the start of the fiscal year to all who are and became eligible through the just ending fiscal year. This change may require collective bargaining.

We recommend that the treasurer/collector seek opportunities to store, and make available, payroll reports electronically, rather than in hard copy form. Every week, the treasurer's side of the office runs payroll. A general ledger distribution journal is produced and transmitted to the accountant, who posts it and prepares a warrant for approval by the selectmen. Additionally, other reports are prepared including check registers, accrual reports, earnings and deductions reports. While these are important records that help verify proper payments and withholdings, there is no compelling reason for all these reports to exist in paper form. Producing an electronic, or "spool" file in MUNIS provides adequate on-screen viewing capability to those who need the information. Whereas maintaining spool files will consume computer memory, space can be freed up with frequent back-up onto disk or text file.

We recommend that any change to an employee's personnel file relative to a status or payroll change, be documented through a personnel action form. The payroll benefit administrator is currently responsible for entering all changes to an employee's work status or withholdings into MUNIS without management level approval. While it is acceptable for her to continue entering such information into the system, without written authorization from a management-level individual, an unfair burden of responsibility is placed on administrative personnel. Therefore, we advise that the town develop a uniform personnel action form as a record of an employee's status at hiring and for any subsequent changes. We further suggest that the form include signature lines for the department manager and when appropriate, the town administrator, and that it be placed in the employee's personnel record. No person, including the payroll administrator, would be permitted to enter changes to employee records without a duly authorized personnel action form. The town already requires a personnel change form for wage changes and should consider amending that form to account for other benefit changes.

Computers and Technology

Computers and technology play a vital role in municipal financial management today. On the revenue side, computers are used by the assessor to maintain property values, set tax rates and generate the property tax and motor vehicle excise commitments; the collector takes the assessor's commitments electronically to generate the tax bills, and then to post receipts and manage receivables; the treasurer records the turnovers of town monies to her department to track the town's cash position. On the expenditure side, data from vendor invoices and employees' time is entered into the computer system so that the accountant can generate the vendor and payroll warrants for the selectmen's approval; the treasurer signs the computer-generated checks and tracks the disbursements in her electronic cash book. Cash balances and receivables are all reconciled on electronically generated reports. Debt schedules, monthly revenue and expenditure reports, annual budgets, and balance sheets are all maintained in electronic files. E-mail is used regularly to communicate and to provide internal access to information. A town website provides e-mail links to town offices, access to town documents and forms, and a link to pay taxes on-line. Computers play a key role in virtually every element of the town's finances.

A survey of town finance-related offices revealed a series of 10 networked desktop computers of various age in use. Operating systems include a variety of Windows versions and Microsoft Office products. All computers have e-mail capacity and internet access. Otherwise, the accountant and the treasurer/collector both use MUNIS software and rely heavily on Excel spreadsheets. The assessor's office uses Vision software. All three of the town hall servers are backed up daily and Friday's tape is sent to the Police Station for offsite storage. Departments maintain and replace their own computers on an ad hoc basis out of their own operating budgets as hardware and networking issues arise. However, a major upgrade, including a new server and power conditioner for town hall, was centrally funded in fiscal 2007.

There is a computer technology committee to advise the selectmen and town administrator on computer-related topics, trends and issues as they relate to the town. In addition to making recommendations to selectmen, the committee periodically reviews departmental and town technology resources to insure they are adequate to meet the town's needs. The committee is currently developing the town's first long-run technology plan.

The town has a web-site that is managed by the Town Web Site Committee. Its members recommend policy and set procedures to keep the site secure. They also manage the site content and insure that information is kept current. In addition, town policies on internet and e-mail use by employees are defined in the personnel by-laws.

Conclusion—Overall, the two technology-related committees function as important resources for the town. However, the volunteer time devoted by committee members speaks to the high level of need that exists. In the future, as the town seeks greater efficiencies and as staff become more aware of the potential that computers and software offer, demands for IT support will increase. Through this evolution, the town should realistically analyze whether the same level of volunteer involvement that now exists will continue, and if less is indicated, whether appropriate budgeting may be necessary to fill the need.

Recommendation 8: Centralize Technology Administration and Budget

We recommend treating technology as a department supported by a consolidated budget. We recommend an annual category that combines in one place all technology-related appropriations currently spread among departments. In this way, an overall technology plan can take shape and total town expenditures toward implementation of that plan will be clear. Also, technology is more likely to receive equal treatment in the process of setting town priorities through the budget.

As a departmental budget, there might be separate line items for expenses, purchase of services, support contracts and small capital outlays for hardware and software upgrades. Major investments would typically be approved as part of the town's capital improvement program and financed through the issuance of debt as occurred in 2007. The purchase of computers, copiers, printers, projectors, etc., should also be purchased in accordance with a centrally administered, long-term plan. Placing the management of this budget under the town administrator will ensure that decisions concerning future purchases of equipment, software and services are based on town-wide needs. As its first significant expenditure, we recommend the town consider expanding its infrastructure to include all town departments on a single network to facilitate the exchange of information and to eliminate duplicative data entry.

Recommendation 9: Create a Training Program for Town Hall Staff

We recommend that the town set up a training program for town hall staff. Town hall staff is comprised of people at various levels of computer capability. The town administrator, in coordination with the technology committee should take the initiative to identify computer proficiency levels among staff, and then develop a program to enhance employee knowledge about the hardware and software they use. Short-term goals might explore how technology can reduce paper records and redundancies through interviews with various office staff. In the long run, the town might look to develop an on-going

training program to encourage computer usage, maintain proficiency among users, and develop a process to receive staff input when major technology decisions that affect them are made.

Treasurer/Collector

The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, internally, and then with the accountant on a regular basis. Finally, the treasurer maintains tax title accounts, conducts sales of land and prepares documents to petition for foreclosure. In Topsfield, the treasurer's office is also responsible for payroll and benefits administration.

The office is set up with three desktop computers which are on the town's network. The treasurer maintains her cash book and debt schedules on Excel spreadsheets. The cash book tracks the cash position in the town's nearly 20 checking and investment accounts. It records turnovers from departments, and disbursements through vendor and payroll warrants. The treasurer reconciles her cash book, internally against bank statements and externally against the accountant's general ledger, on a monthly basis. A payroll benefit administrator enters the detail from employee time sheets submitted by departments into MUNIS software to generate the payroll warrant and payroll checks, and to track sick and vacation time used by employees. As regards benefits administration, this office is responsible for enrollment, correspondence, vouchering and payments to the various vendors that provide benefits for town employees. Town employees are currently paid weekly, but there are plans to pay them bi-weekly as school employees are.

Topsfield has a town collector, which allows the office to receive real and personal property taxes, excises, betterments as well as other charges and payments due the town. The collector's office contracts out for the printing and mailing of the approximately 2,300 real estate tax bills and 223 personal property tax bills quarterly. A deputy collector, Kelly & Ryan, receives the motor vehicle excise information directly from the Registry of Motor Vehicles, presents the commitment to the assessors for review and conversion to MUNIS, then prints and mails nearly 6,000 motor vehicle excise tax bills annually. The collector's office also accepts payments for water bills and reconciles the water department's postings with the treasurer's deposits monthly.

Collections are counted and posted to taxpayer accounts as they are received, and deposited daily. More than half of all real estate collections are received over the counter

at the treasurer/collector's office. The collector maintains an up-to-date receivable control that is reconciled with the accountant's general ledger every quarter. In accordance with state law, the office responds to requests for municipal lien certificates promptly. Demand letters on delinquent accounts are sent immediately and are typically moved into tax title in December.

In Topsfield, the treasurer and collector positions are combined. The current treasurer/collector has served the town for eight years and, while not from a municipal finance background, has grown into the job and received certification in both offices from the Massachusetts Treasurers and Collectors Association. She has two full-time assistants: an assistant treasurer and a payroll benefits administrator. All three share one room in Town Hall.

Conclusion—Overall, the treasurer/collector's office works well and fulfills all of its functions. We are, however, concerned about the security of the office and recommend improvements in this area. Outside of the payroll process recommendations made above, our other recommendations include ways to modestly improve the efficiency of the office.

Recommendation 10: Improve Security in the Office

We recommend that the town seek to increase the security of the treasurer/collector's office. The lack of office security poses a risk to the staff and the town's cash. Currently there is no separation between the staff and taxpayers but for their desks, and the small metal cash box is kept in an unlocked file cabinet during office hours. We recommend that a counter be erected to provide some greater separation between staff and taxpayers which is common in offices that receive large volumes of money on behalf of the town. The counter should include a built-in cash box with a lock to better secure payments. The door to the outside of the building should also be better secured.

Recommendation 11: Eliminate Redundancies

We recommend that posting and deposit procedures be modified to eliminate redundancies. We noticed two procedures in the collector's operation that are a duplication of effort, one in posting daily collections and another in the preparing of deposits. In posting a batch of daily collections, the assistant treasurer keys in a payment into the MUNIS software from the bills, runs an adding machine tape on the bills, and then runs a separate adding machine tape on the checks and cash. She compares the totals on the two tapes to a MUNIS report to see if she has made any errors. The MUNIS report is identical

to the adding machine tape on the bills since they are from the same source, so the adding machine total for the bills is redundant.

In preparing deposits at the end of the day, the treasurer/collector re-counts all the cash to make sure her assistant has not made an error. Not only are errors rarely discovered, but the bank will count the cash once again when the deposit is made and notify the town of any errors. This practice is another duplication of effort and could be eliminated.

Recommendation 12: Impose Maximum Penalty for Bounced Checks

We recommend that the treasurer/collector impose the maximum fee allowed by state law for bounced checks. Under M.G.L. c. 60 § 57A, cities and towns are allowed to impose a penalty of one percent of the amount of a bounced check or \$25, whichever is greater. If the treasurer/collector has not already done so, we recommend that she impose the maximum penalty on those whose checks in payment of an obligation are returned for insufficient funds. She should have a form letter and process in place to notify the payee of payment due, together with the appropriate penalty charge. She should also notify the department where the payment was originally received that a check was returned due to insufficient funds.

Recommendation 13: Adopt Chapter 60 §23B

We recommend that the town adopt MGL Chapter 60 §23B, a local option which allows the town to charge more than the standard \$25 for municipal lien certificates (MLCs). Communities that adopt this local option provision may charge more than \$25 to issue an MLC in the following cases: for residential properties of four or more families, \$100; for commercial, industrial and public utility properties, \$150; and, for farms and forests, \$50. Local acceptance of this provision would require a town meeting vote.

Recommendation 14: Create Uninterrupted Time for Staff

We recommend that the treasurer/collector schedule her staff in a way that creates blocks of uninterrupted time for each of them. Both the assistant treasurer and the payroll administrator will benefit and be more productive if provided time to complete higher level or more detail-oriented tasks without interruption. Office staff already cover for each other to accommodate breaks and lunch periods, so they are sufficiently cross-trained to cover for each other for short periods of time.

Accountant

The accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue, is required to maintain a detailed record of the town debt, and is typically involved in the annual budget process.

Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end Balance Sheet (for free cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The Topsfield town accountant is appointed by and reports to the selectmen. She has been employed by the town as accountant for two years, and previously served as the treasurer/collector in Georgetown and in Topsfield. Staff includes a full-time assistant who has been in the office almost one year.

In terms of fulfilling her primary duties, the accountant's office functions well. The assistant enters data from invoices for the town's departments so that vendor warrants can be prepared for the selectman's weekly approval. She maintains detailed records to track sick and vacation time by employee. Reconciliations of cash, receivables and debt with the treasurer/collector now take place regularly, and monthly revenue and expenditure reports are prepared.

Conclusion—The accounting function is competently performed by the accountant and her assistant as fundamental responsibilities relative to the general ledger, the payroll and vendor warrant process, as well as reporting requirements are fulfilled. As a result, our recommendations are few. We recommend that the accounting office take advantage of technology to design a standardized turnover sheet in Excel for departments to use. We also recommend that the accountant pay vendors with multiple town accounts in a single check each billing period to reduce the number of checks that are written, and that it stop sending copies of warrants to department heads as a means to reduce paper, copying costs and workload.

Recommendation 15: Redesign Departmental Turnover Sheets

We recommend that the accountant redesign departmental turnover sheets. Most communities are moving toward utilization of turnover sheets designed as Excel spreadsheets in a single format and customized by department. Typically, the form is created once as a template and e-mailed or manually distributed to each department. The name of the department is at the top of the page with appropriate locations at the top or bottom for dates, affirmations and signatures. The form is also preprinted with one column that lists all the revenue types that originate from the department and a second column with corresponding account numbers. A third, blank column allows for the manual entry of turnover amounts. If entered electronically, the total can be automatically calculated at the bottom. Working with the treasurer, the accountant should consider this format and the efficiency it brings to the exchange of financial information. We understand that, while all departments are submitting turnover sheets to the accountant as required, some departments are submitting photocopies. We further recommend the accountant insist on signed originals and that the turnovers be numbered.

Recommendation 16: Consolidate Accounts on Vendor Checks

We recommend that the all town accounts with the same vendor be paid with one check. As examples of this issue, each billing period, National Grid receives multiple vendor checks from the town. Each check is in payment of a town account. Instead, the town should process a single check to vendors with sub-account details listed on the attached stub or coupon (National Grid and other). The accountant should look for all other instances as well where multiple checks are sent to a single vendor and consolidate payments onto one check as she already does with the town's telephone bills. If the town wants to focus on costs associated with a particular location, it can request detailed information by meters, or telephone numbers, etc.

Recommendation 17: Cease Sending Warrants to Departments

We recommend that the accountant cease sending copies of the vendor warrants to department heads. We believe this is unnecessary as she already sends the monthly expenditure reports to departments. We also recommend that departments maintain their own expenditure logs in Excel to track their own spending and reconcile it to the accountant's monthly report.

Assessors

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitments authorizing the collector to collect real estate tax, personal property tax and motor vehicle excise payments. In Topsfield there is a three-member elected board of assessors with staggered three-year terms. They appoint the principal assessor who, with her full-time assistant, makes recommendations to the board on values, new growth and the overlay as well as performing all the administrative and clerical functions of the assessing office.

To ensure that residents are taxed equitably and accurately, an assessing office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during an on-going property measure and list program. Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR for setting the tax rate. The principal assessor also uses the recap sheet as the basis for preparing a revenue forecast for the finance committee's use in preparing the town's annual budget. The office is required by DOR to document an annual property value adjustment analysis and to prepare for state certification of property values every three years.

The volume of work in the Topsfield assessing department involves approximately 2,076 residential real estate parcels, 170 commercial/industrial parcels, 44 parcels of mixed use and 22 parcels in agricultural, forestry or recreational use. There are an additional 223 personal property accounts. All are billed on a quarterly basis. Over the course of one year, motor vehicle commitments total about 6,000 accounts. All properties are inspected every six years as part of a cyclical re-inspection program and the principal assessor accompanies the building inspector on final inspections. Also in fiscal 2007, the office issued 218 personal exemptions. On average, the assessors approve eight of 35 abatement applications each year.

Most office functions are performed in-house by the principal assessor and her assistant. Included are residential property inspections as part of a cyclical re-inspection program, building permit inspections and inspections of sales properties for the calculation of new growth. Commercial/industrial/personal property valuations and new growth calculations are performed by an outside contractor, Vision. Vision also provides the appraisal software for the assessing office computers to store property data and aid in

property valuation analyses. The assessors are very satisfied with the quality of the consulting services and the performance of the software.

Conclusion – Overall, the assessing office performs well and our recommendations are minor. The town is fortunate to have experienced and knowledgeable staff in its assessing office who are capable of performing most of the assessing work in-house. The detailed procedure manuals maintained by the assistant assessor will also prove invaluable when the incumbent staff leave town employment. At the same time, while the town website posts forms for many town departments, none of the commonly used forms of the assessing office are posted online, nor are property records. The board is not in the habit of taking formal votes on its decisions such as setting property values and the overlay reserve. Our recommendations address these issues.

Recommendation 18: Make Forms Available on the Town Website

We recommend that the assessors make common forms available to the public via the town's website. Other communities are finding that user-friendly and informative websites are successful in reducing the amount of time that staff spend fielding questions in person or on the phone. A reciprocal time-savings is also experienced by residents and taxpayers. The assessors' website in Topsfield, specifically, can enhance citizen convenience by making available commonly used forms (e.g. forms of list, exemption forms, income and expense forms), as other town offices are already doing.

Recommendation 19: Place Property Records On-Line

We recommend that the town place its property records on-line. In order to reduce foot traffic and free-up staff time, a growing number of assessing offices make property records available to the public on line. In this way, residents, appraisers and others can independently and conveniently search property records and print field card type information without creating office disruptions.

Recommendation 20: Require Electronic Submission of Plans

We recommend that the assessing office work with the planning department to require that all subdivision and other plans submitted to the planning board be in an electronic format. The planning department would subsequently forward the plans to the assessing office electronically for record keeping and map updating purposes.

Electronic submission of plans is becoming a more frequent practice in municipalities. It is also cost effective because the town does not have to pay for a hard copy conversion to electronic format in order to update their geographic information system (GIS) database.

Recommendation 21: Record Formal Votes

The assessors should take and record formal votes on all decisions affecting property valuation. Motions should be made and seconded before formal votes are taken in the following instances:

- to approve or disapprove abatement and exemption applications
- to accept and approve the valuations on the Tax Recap
- to adopt the annual Overlay Reserve
- to approve or disapprove Chapter Land applications
- to make any substantive changes to property valuations such as removing influences or combining parcels

Motions and votes should be accurately reported in the meeting minutes. There are also times when hearings need to be recorded and when ample notice to taxpayers provided.

Acknowledgements

This report was prepared by

The Department of Revenue, Division of Local Services

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

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

Joseph Markarian, Jr., Supervisor, Technical Assistance Section

Scot Keefe, Project Manager, Technical Assistance

Everett Griffiths, Community Advisor, Bureau of Accounts

Tom Dawley, Field Representative, Bureau of Local Assessment

In preparing this review, DLS interviewed the following persons:

Town of Topsfield:

John J. McArdle, Chair, Board of Selectmen

Richard Carlson, Board of Selectman

Richard Gandt, Board of Selectman

Virginia Wilder, Town Administrator

Mark Lyons, Chairman, Finance Committee

Pauline M. Evans, Principal Assessor

Carol Hoy, Assistant Assessor

Barbara Michalowski, Treasurer/Collector

Ann Gill, Assistant Treasurer/Collector

Debra Mark, Benefits Administrator

Pamela Wood, Town Accountant

Rosalba Giuffrida, Assistant Town Accountant

Roberta Knight, Purchasing Agent

Gregory Krom, Water Superintendent

Richard Hingston, Auditor, Giusti Hingston CPA