



Town of Townsend

Financial Management Review

Division of Local Services / Technical Assistance Section

May 2011



May 27, 2011

Board of Selectmen
Town of Townsend
Memorial Hall
272 Main Street
Townsend, MA 01469

Dear Board Members:

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

As a routine practice, we will post the completed report on-line at the DLS website within a week or two. Also, we will forward a copy of the report to the town's state senator and representative.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us

Sincerely,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

CC: Senator Jennifer L. Flanagan
Representative Sheila C. Harrington

Introduction

At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review of the Town of Townsend. We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Technical Assistance Section. During these visits and by telephone, the team interviewed and received information from the selectmen, members of the finance committee, the town administrator, town accountant, town clerk, collector/treasurer, assessors and MIS director.

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.

The Town of Townsend, population 8,926, is a residential and rural community in northern Worcester County located on the New Hampshire border. Townsend is bordered by Groton, Pepperell and Shirley on the east, Lunenburg on the south and Ashby on the west. It is well situated being only 32 miles north of Worcester and 50 miles northwest of Boston with easy access to Route 2, I-190, I-495 and the MBTA commuter rail which makes it a desirable bedroom community.

While Townsend is a former mill town with little commerce today, it is the home to the national headquarters of the Sterilite Corporation, a leading manufacturer of plastic houseware products. Sterilite has been a generous corporate citizen making numerous contributions to the schools, fire-EMS department and local civic groups. Sizable contributions to the town include a new highway garage and salt shed (including the land, design and building costs) in 2008. The corporation also donated the design and construction costs of a new Library/Senior Center/Meeting Hall building which was built on the former highway garage site in 2009.

Townsend is a relatively modest town when measured by income levels and property wealth. The town's 2007 income per capita of \$27,786 was 23 percent below the state average and Townsend's equalized valuation per capita of \$106,218 in 2010 was 32 percent less than Massachusetts average. In fact, Townsend was highlighted in a January 2011 [Boston Globe](#) article as the state's most statistically typical town citing the town's population, median family income, median age and education levels. Townsend's single property tax rate of \$15.74 per \$1,000 is close to the average of the five abutting towns, Ashby (\$14.90), Groton (\$16.38), Lunenburg (\$16.16), Pepperell (\$13.13) and Shirley (\$13.69). With the exception of Groton, Townsend's average single-family tax bill of \$3,875 in FY2011 is also comparable to its abutters.

The voters of Townsend have passed eight property tax overrides in the 28-year history of Proposition 2½. Most of these were for small one-time items of less than \$100,000 with the exception of a 2000 override of \$600,000 to institute town trash pickup and a 2007 override of \$644,925 to support the regional school district; two previous school overrides failed in 1991 and 1992. Townsend also has a history of passing debt exclusions. Like an override, an exclusion allows a community through a referendum vote, to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits of Proposition 2½. The difference is that the amount of the exclusion is added to the levy limit for the life of the debt only. For FY2011, the levy includes \$424,572 for the debt service costs of five previously approved projects. These will expire when the bonds are paid off.

On the spending side, Townsend has a FY2011 budget of \$18.5 million funded mostly by local property taxes (72.9 percent). The town expects to receive \$1.4 million or 7.3 percent of the total in state aid and estimates another \$2.0 million or 10.8 percent of its revenues from local receipts including water enterprise revenues. To further support its operating budget, Townsend draws from a better than average level of reserves. Certified free cash available for use in FY2011 is \$1.159 million or 6.3 percent of budgeted revenues, and the town had \$895,300 or 4.8 percent in stabilization in FY2010. These combined reserves are at the high end of the typically recommended reserve levels of 5 to 10 percent, and are reflected in Townsend's bond rating of Aa3.

Local government spending in Townsend is low compared to its neighbors and the state average. General Fund spending per capita in FY2009 was \$1,730. This was lower than any of its immediate neighbors but Pepperell and 36.0 percent less than statewide local government spending per capita.¹ The biggest differences by function were in spending on debt service, fire services and fixed costs.² The town spent \$70 per capita on debt service in FY2009, 64.2 percent lower than the state average of \$195. With a largely call fire department and only three full-time firefighters, the town spent only \$83 per capita on fire services or only about one half the statewide average of \$152 per capita. Townsend's fixed costs of \$140 per capita were also about one-half of the Massachusetts average. One reason for the low fixed costs is that the town does not provide health insurance for very many persons. Despite paying 85 percent of the health insurance benefit for employees who work at least 20 hours per week, the town provides no benefits to many employees because they do not work the requisite number of hours. In addition, the town does not provide health insurance benefits to elected officials or retirees; the limit on coverage for retirees is very unusual.

¹ The FY2009 per capita spending of Townsend's neighbors was: Ashby (\$1,822), Groton (\$2,508), Lunenburg (\$2,601), Pepperell (\$1,593) and Shirley (\$1,875). The state average was \$2,704.

² Fixed costs include Workers' Compensation, Unemployment, Health Insurance, other Employee Benefits, other insurance and Retirement.

Overall Findings

Townsend, like all communities, will have to continually search for new ways to manage with less as town revenues are limited by the statutory increases allowed by Proposition 2 ½ and the uncertainty surrounding contributions from federal and state government. One-third of the town's land is state-owned and the assessors believe there is little development potential for new growth. Voters and town leaders have expressed very little interest in future property tax overrides. To be successful in this effort, government will require strong leadership and the cooperation of all involved.

We found no major deficiencies in the financial management practices of Townsend. The town's financial officers are experienced and work cooperatively and effectively to accomplish requisite tasks. At the same time, however, we see a need for more visible leadership. Most of those we interviewed remarked that the board of selectmen exhibits a hands-off management style and that the new town administrator is not yet as actively involved in town affairs as his predecessor was. In the case of the town administrator, this may be attributed to his relatively short tenure in the position.

Rightly or wrongly, the perception that a leadership presence is lacking has had an impact on employee morale. After almost one year on the job, the new town administrator has gained better footing and should be able to fill this void. To be successful in this effort, the selectmen will need to demonstrate their support for him.

Overview and Observations

A review of the town's financial management practices begins with the organization of government as it defines the roles and relationships among the individuals involved and impacts on departmental operations. Next, we focus 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 level of communication and cooperation that exists among offices. We then examine the operations of each individual office and comment on the state of the town's technology status.

Government Structure and Overall Financial Management Issues

Townsend's government structure and fiscal practices are established and defined by a town charter adopted in 1999 and town bylaws which provide more specificity. They place town control under a mix of elected and appointed officials, mostly part-time. The three selectmen collectively act as the head of the executive branch of government with overall responsibility for the general operations of the town. They meet biweekly to approve payroll and vendor warrants and conduct town affairs. They employ a full-time town administrator to handle day-to-day activities on their behalf. The current administrator is about to complete his first year in office. The selectmen also appoint the 20-hour a week accountant. The town collector is elected to the three-year position and the selectmen have appointed her to serve concurrently as the town treasurer, as allowed by the town charter. The town clerk is also elected to a three-year term. The three members of the board of assessors are elected to staggered three-year terms and hire a principal assessor to staff the office full-time. The seven-member finance committee is appointed by the elected town moderator. According to the charter, a charter review is to occur every ten years and a bylaw review every five years; no review of the charter or the general bylaws has been completed since the charter's adoption.

The budget process in Townsend is initiated by the town administrator in the fall after revenue estimates are developed. With some direction from the selectmen, he issues policy guidelines and instructions for departments to submit budget requests by the first week of January. The town administrator, after consultation with departments, then prepares an omnibus budget that is presented to the selectmen for approval and submission to the finance committee before the end of January. The finance committee holds independent hearings with department heads on their budget requests. It is the board of selectmen's budget that is presented to town meeting with a report of the finance committee's recommendations. Going forward, there is a new parallel process for the formulation of a capital plan as directed by a Capital Improvement Plan bylaw adopted in 2010.

On balance, the finance related offices of the collector and treasurer effectively collect, post and deposit town receipts. The accountant produces vendor and payroll warrants for review and approval by the selectmen. The assessors are timely in delivering property tax and motor vehicle excise commitments to the collector and, in general, a regular exchange of information between offices typically takes place. Staff is collectively responsible, as well, for the preparation of required submissions to DOR. The accountant, assessors and town clerk collaborate on the preparation of the town's Tax Recapitulation Sheet, which is the basis of DOR approval of the annual tax rate. The town has been historically timely in its submissions to DOR and the town's tax rate is consistently set well before the deadline to generate an actual tax bill on time. The accountant, assessors and collector/treasurer attend the annual schools of their respective professional associations each year to stay current with new developments.

The town has an annual audit completed by Hirbour and Haynes, P.C. The most recent audit found the town to be in general compliance with internal controls and no material weaknesses or reportable conditions. The town does not always contract with its auditor to prepare a management letter which can identify areas of deficiency or where improvement is warranted.

During the course of our review, we noted that the Finance Committee has adopted a comprehensive set of Overall Financial Management Policies that appears to be implemented. The policies include a commitment to preserving the sound financial condition of the town. They target levels for stabilization reserves, establish a debt management policy and restrictions on the use of free cash, stabilization and other one-time revenues. They also provide investment guidelines.

On the other hand, one area where the lack of clear and consistent policies is having a negative impact on town operations is personnel administration. While there is a complete and comprehensive Personnel Policy and Procedure Manual for Non-Contract employees, the treatment of employees with regard to performance reviews and salary adjustments is perceived among staff to be uneven.

Individual Finance Offices

Accountant: The Townsend Town Accountant was appointed by the selectmen in January, 2010 to the part-time 20-hour a week position. She simultaneously serves as the part-time town accountant in Dunstable. As part of the vendor warrant process she receives invoices from town departments, completes the verification process and inputs the information into the LBA Fund Accounting municipal finance software from a New Jersey firm. She generates the weekly payroll warrant as well and, in both instances, prints checks. The selectmen and the accountant both sign the warrants; the treasurer receives the signed warrants and signs the checks. The accountant also produces regular revenue and expenditure reports for town officials

and departments; she reports that overspending by town departments is not an issue but is unaware of whether any departments are reconciling their records to hers.

The ability of the accountant to maintain accurate town records depends critically on the quality of and frequency of the data she receives from town departments. In that regard, departments are good about submitting invoices for inclusion in the weekly vendor warrant; she considered moving to biweekly warrants but concluded there was no real advantage to her doing so. Departments are also turning over receipts to the treasurer regularly and routinely delivering a copy of a standardized turnover sheet directly to the accountant. The accountant requires this information in order to create an independent record of the town's cash position. She has a policy to receive all grants and contracts; all departments but the water department, an enterprise fund, are in compliance.

The accountant is a key office in imposing the system of checks and balances required by state finance law. One of her most important tasks in this regard is to reconcile her records of the town's receivables and cash with the collector/treasurer. She reports that reconciliations are up-to-date and there are no significant variances to report. The accountant also maintains a debt schedule which she regularly reconciles with the collector/treasurer.

Assessors: The assessing department is led by the principal assessor who is appointed by the three-member board of elected assessors which meets once a month. She is certified by the Massachusetts Association of Assessing Officers (MAAO) and has held the position since 2002. Staff includes a 25-hour per week administrative assessor and a 10-hour per week property lister. The office is open to taxpayers Monday through Friday, including some evening hours on Wednesdays.

The volume of work in Townsend involves 3,571 residential real estate parcels, 97 commercial/industrial accounts and 111 parcels in agricultural, forestry or recreational use. There are an additional 201 personal property accounts. Over the course of one year, motor vehicle commitments total approximately 11,200 accounts. The office issued 103 personal exemptions and approved 20 abatement applications in FY2010.

The property lister is responsible for residential property inspections. These include ongoing inspections as part of a cyclical re-inspection program as well as the sales and building permit inspections which form the basis for the calculation of new growth. All properties have been inspected every six years as part of a cyclical re-inspection program; for the future the office is transitioning to a new nine-year re-inspection program. Building permit and sale inspections are performed throughout the year. The principal assessor conducts the needed abatement inspections herself. An outside contractor, Patriot Properties, inspects the commercial and industrial properties and provides recommended values. Patriot is also responsible for the valuation of personal property and assists with the analysis of residential real estate values during revaluation years.

Most clerical functions and data entry are performed in-house by the part time administrative assessor. The computers in the office are installed with Patriot Properties software which stores property data and aids in property valuation analyses. Point software is used for the motor vehicle excise. Real estate commitments are easily generated and transferred to the collector, and motor vehicle commitments to the deputy collector. Overall, the principal assessor is satisfied with the performance of the software and the quality of software support, although it was called to our attention that the office is using an older version of Point that does not allow the collector/treasurer to use scanning wands to post motor vehicle excise bills in her office.

The office maintains a web page with relevant information including explainers, commonly requested forms; property records with values were added to the site early this year. The principal assessor draws changes on the tax maps by hand and sends them to the Montachusett Regional Planning Commission once a year to have the digital versions updated. The digital maps are not posted on the website as they are in other communities. The staff has not noticed any decline in foot traffic in the office since property records have been added to the website, and believe that few townspeople are aware of it.

Collector and Treasurer: Townsend's government structure provides for an elected collector and an appointed treasurer with the proviso that the selectmen may appoint the collector to serve as treasurer. The current collector was elected 12 years ago and appointed as the treasurer 10 years ago. Her staff includes a full-time assistant collector/treasurer and a 10-hour per week payroll clerk. The office is open from 9 am to 4 pm Monday through Friday with additional hours on Tuesday evenings to service taxpayers.

As a town collector, she receives real estate, motor vehicle excise and personal property payments.³ She maintains an up-to-date record of receivables that is reconciled with the accountant's general ledger monthly. In accordance with state law, the office responds to requests for municipal lien certificates (MLCs) promptly; the office processed 349 MLC certificates in FY2010. As for the pursuit of delinquent taxpayers, demands are sent right away and properties are placed into tax title every September. There are approximately two dozen properties in tax title and another two dozen whose owner is unknown. The collector has also reached payment agreements with seven taxpayers and entered into one tax deferral agreement.

The collector's office issues almost 3,800 real estate bills and 200 personal property bills. While it is a quarterly community, the office sends two bills at a time to reduce mailing costs. The bills are printed in-house, and stuffed and mailed by an outside consultant, Mark Altman. Collections are counted and posted to taxpayer accounts as received before being deposited to a treasurer's bank account. Roughly 45 percent of all real estate collections are received in the mail, 40 percent from bank escrow services and approximately 10 percent are from on-line

³ The Water Department, an enterprise fund, bills and collects its own payments.

payments through an agreement with UniPay. Foot traffic to the office accounts for five percent of all payments. The office employs scanning wands to facilitate the posting of most payments however the on-line payments must be posted manually.

A deputy collector, Kelly & Ryan, receives the motor vehicle excise information directly from the Registry of Motor Vehicles and presents the commitments to the assessors for review and approval. The deputy prints, stuffs and mails the 11,200 excise bills for the collector. These payments must be hand posted as well. The deputy collector makes a weekly turnover of the money he receives from delinquent taxpayers net of the fee for his services, including the printing and mailing costs of the motor vehicle excise.

As treasurer, she tracks the cash position in the town's nine main bank accounts in either Quicken or Excel spreadsheets. The treasurer records the weekly turnovers from the collector and other departments, and disbursements through the weekly vendor and payroll warrants. Departmental turnovers are accompanied by three copies of a standardized turnover sheet and signed by the department head. The collector/treasurer deposits the town's cash and check receipts to a local bank every Friday, or more often if cash balances exceed \$1,000. In between deposits, the cash and checks are kept in a vault in the treasurer's office, as is the check stock for generating the checks. As an internal control, she reconciles her cash records against the bank statements monthly. She is also responsible for the town's debt and uses the services of a financial advisor, First Southwest, for borrowing and investment decisions.

In Townsend, the treasurer is responsible for payroll and benefits administration. Employees are paid weekly. Departments forward employee time sheets to the part-time payroll clerk by 11 am on Monday for the week ending on the prior Saturday. All time sheets are standardized across departments and accompanied by a cover sheet signed by the department head or board chair. Time is entered into Harpers Payroll software and the appropriate reports are run. Employee accruals of sick and vacation time are recorded in the payroll system. Roughly half the town employees receive direct deposit; the treasurer delivers pay stubs and checks to departments for distribution on Thursdays.

As to benefits administration, this office is responsible for employee enrollment and correspondence, and payments to the various vendors that provide benefits for the eligible employees. The administrative assistant to the town administrator and selectmen has custody of the town's personnel files. The town offers employees health insurance with Blue Cross/Blue Shield purchased through the Massachusetts Interlocal Insurance Association (MIIA). Only persons who work 20 or more regularly scheduled hours per week are eligible for benefits; the town pays 85 percent of the premium and the employee pays 15 percent. Retirees may purchase health insurance through the town's plan but pay 100 percent of the cost. The town is a conduit for dental insurance for employees who elected coverage prior to 2008, but employees pay 100 percent of the cost. The payroll clerk sets up benefit fairs for town employees with an open enrollment period every two years. Retirement benefits are managed through the Worcester County Retirement System.

Technology Management

The Management Information Systems (MIS) director, a consultant, is responsible for management of the town's computer resources. A three-year contract with the town specifies the scope of services which includes network administration, data security, repair, replacement, support, troubleshooting, virus protection and website hosting. He is on-site during normal town hall hours and resolves employees' problems as they occur. As a resident of the town, he provides his services to the town at below market rates.

Each of Townsend's financial offices has at least one networked personal computer and all important financial records are maintained electronically. All computers have e-mail capacity and internet access and employees are required to adhere to town policies on the responsible use of town computers. Operating systems include a variety of Windows versions; Microsoft Office products, particularly Excel spreadsheets, are widely used.

The individual finance offices use various specialized software packages to perform their duties: the accountant uses LBA Fund Accounting software from a New Jersey firm; the assessors use Patriot Properties for real estate and Point software for the motor vehicle excise; the collector and treasurer uses the Point collections module and Quicken to maintain her cash book. The town has GIS capabilities which it uses to prepare abutters lists but no other applications are in use. Each office is responsible for its own software procurement decision including technical support. While each office is satisfied with the software they use, the Point version in use is dated and does not allow for electronic uploading of payment transactions. With a secure network, virus protection and backups are handled centrally. All files are centrally backed up to the network daily, with weekly copies on disk rotated to a secure off-site location. There is a separate technology related budget line-item overseen by the town administrator.

The town has created a website, www.townsend.ma.us, which is maintained by the MIS director. The Townsend website is well organized and relatively robust with content compared to many other cities and towns. There is a directory of town boards and offices with contact information, including e-mail links. The collector's page contains a link for online payment of real and personal property taxes through UniPay. The assessors' property record cards are online as well as commonly requested documents and forms. The site provides access to the town's bylaws, annual financial report, the annual town report and official minutes of town meeting action. The Townsend site does not provide town budget information, minutes of selectmen's meetings or a calendar of events.

Conclusion

As we pointed out earlier, we found no major issues with the financial management practices of Townsend and, in fact, much to be admired. The town's financial officers are experienced and exhibit a cooperative team approach. As a result, the necessary transmission of information to accomplish interdependent tasks occurs regularly and timely.

One area where the town has a distinct advantage is in its management of technology. As a small town with limited resources to devote to any coordinated technology plan, Townsend does a better job of managing its technology resources than most similarly situated municipalities. The town is fortunate to have a town resident who is knowledgeable and experienced who serves under contract as the Management Information Systems (MIS) Director.

At the same time, we feel that the town's governance could be improved with a stronger management presence. As noted above, selectmen are not very involved in day-to-day town affairs and the town administrator is relatively new. One area where selectmen can demonstrate their commitment to the town is to follow through on the required town charter review, the subject of our first recommendation. If adopted, our second recommendation will both demonstrate the selectmen's support for the town administrator and empower him to better direct and coordinate the myriad offices and boards which comprise town government.

We saw still other areas where communication between officials and with townspeople could improve, where reporting relationships could be clarified, and where financial controls could be strengthened. The Report Recommendations section that follows contains suggested avenues of action designed to address these issues. These suggestions are based on our 27-year history of conducting these reviews and observing the practices of cities and towns. If adopted, the financial management function in Townsend is certain to improve.

Report Recommendations

We encourage the selectmen 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 following items are recommendations only and can be implemented, at the town's option, provided there is sufficient cooperation among the various boards, committees and officials.

Improve Budgeting, Financial Coordination and Government Structure

1. Complete the Required Charter Review
2. Give the Town Administrator Appointing Authority
3. Appoint the Collector and Formally Combine with Treasurer
4. Improve Coordination of Financial Functions
5. Provide for Succession Planning
6. Request a Management Letter with an Independent Audits
7. Move Water Department Billing to Collector's Office
8. Clarify the Reporting Responsibility of the Administrative Assistant

Implement New Policies and Procedures

9. Conduct Employee Performance Reviews
10. Investigate Costs and Benefits of a Lockbox Service
11. Record Deputy Collector Payment on Vendor Warrant
12. Apply Partial Payments to Interest First
13. Establish a Drop-Box at Town Hall
14. Require All Grants and Contracts
15. Require Evidence of Departmental Reconciliations
16. Issue Sales Questionnaires

Make Better Use of Technology in Government

17. Explore Financial Software Options
18. Promote On-line Property Tax Data
19. Expand the Use of GIS

Improve Budgeting, Financial Coordination and Government Structure

Recommendation 1: Complete the Required Charter Review

We recommend the town move expeditiously to conduct the 10-year review of its charter, as required. The Townsend charter, first adopted in May 1999, clearly defines the government structure under which the town operates and includes a provision calling for a comprehensive review of the charter at least every 10 years. It is complemented by a series of bylaws that fill in the details and are more easily revised as circumstances warrant. We understand that the nine-member charter review committee is awaiting the appointment of the last several members and intends to make a report for consideration at the May 2012 town meeting. We saw much to admire in the Townsend charter, particularly the enumeration of the powers and duties of the town administrator and the clear outline of the annual budget process. However, we did note some areas where the charter could be improved and offer several recommendations for the charter review commission to consider, namely Recommendations 2, 3 and 4.

A charter has become the preferred means, over bylaws and policies, to achieve long-term continuity and stability as officials, board members and personnel change. As such, one outcome is that charters can strengthen public confidence in government if its provisions are adhered to. We encourage Townsend officials to follow through on the charter review. When they do, we hope they will consider the following three recommendations, whose adoption require charter changes.

Recommendation 2: Give the Town Administrator Appointing Authority

We recommend that the town empower the town administrator's position with appointing authority. It is the clear intention of the charter that the town administrator is to be the chief executive officer of the town and that the Board of Selectmen shall act only through the adoption of broad policy guidelines that are to be implemented by the town administrator and the other officers and employees serving under it. It is explicitly stated that in no case are the selectmen to be involved in the day-to-day administration of any town agency. At the same time, we observe the need for a stronger management presence.

The town administrator's authority could be greatly enhanced if the Board of Selectmen were to delegate some of their appointing authority so that department managers are appointed by and report to the town administrator.⁴ The charter could also direct the town administrator to

⁴ In Townsend the Board of Selectmen appoint the Town Administrator, Town Accountant and an assistant, Constables, Town Counsel, Building Commissioner, Zoning Board of Appeals, Conservation Commission, Historic Districts Commission, Personnel Board, Board of Registrars and other Election Officers, Police Chief and Police Department, Keeper of the Lockup, Crossing Guards, Fire Chief and Fire Department, Hazardous Waste Coordinator, Parking Clerk, Tree Warden, Ambulance Department, Communication Department, Highway Superintendent and Highway Department, Nashoba Valley Technical High School Committee, Animal Inspector, Cultural Council, American Flag Committee, Abram S. French Fund, Band Concert Committee, Computer Committee, Council on Aging, Animal Control Officer, Assistant Animal Control Officer(s), Gas Inspector and Alternate, Town Forest Committee, Industrial Development Committee,

complete regular performance evaluations of all department heads and require all department heads to routinely evaluate their staff (see *Recommendation 8*).

Recommendation 3: Appoint the Collector and Formally Combine with Treasurer

We recommend the town consider changing the collector from an elected to an appointed position in the long term and formally converting the position to one of collector/treasurer. This recommendation reflects our longstanding conviction that these two positions require specific skill sets and are therefore better appointed rather than elected. It speaks to a prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, such as the treasurer, collector, accountant, assistant assessor, etc., should be appointed. In addition the parallel and overlapping responsibilities of the two offices support combining them into a single position.

Looking ahead to when the present collector/treasurer leaves town service, a small community like Townsend may find it difficult to find a townsperson who is both qualified to serve and willing to run for elective office. Advertising to fill an appointed position would extend beyond town boundaries. By requiring potential candidates to go through a background check and an extensive interview process, the town improves its chances of attracting a person with the strongest credentials and/or most relevant professional experience. In addition, an appointed collector/treasurer would be placed on equal footing with other finance officers and department managers who have similar level responsibilities. As such, the collector/treasurer should be accountable to and report to the town administrator, and be subject to annual performance reviews.

In any event, the town may want to consider officially combining these two offices. In the case of Townsend where the bylaws allow the selectmen to appoint the elected collector to simultaneously serve as town treasurer, the change would be little more than cosmetic as the two positions are already held by the same individual.

We recommend the town consider converting other offices from elected to appointed. A clear trend has emerged among Massachusetts communities in favor of appointed positions for a number of compelling reasons. Most relate to ensuring that office holders possess the experience and qualifications for the position and to expanding the pool of potential candidates for the job. Another problem arises when qualified candidates fail to materialize. In Townsend, with 14

elected positions and boards, the charter review commission might consider converting some of these from elected to appointed positions.⁵

Recommendation 4: Improve Coordination of Financial Functions

We recommend that Townsend establish a financial management team. Financial team meetings are a useful forum for reviewing responsibilities and deadlines related to town meetings, the annual budget, the Schedule A, the Tax Recapitulation Sheet, and Free Cash certification. They are an occasion to analyze financial problems, spur creative thinking as well as develop and incubate new ideas. Meetings present opportunities to identify critical junctures for the town and to formulate strategies to avert potential fiscal problems. The group can be a sounding board for proposed procedures or policies.

In addition, meetings enhance lines of communication to ensure that all involved receive the same message or new information at the same time. They provide a forum to raise and resolve interdepartmental issues. The financial management team is not intended, however, to function as a policy making body, nor as one that would encroach on the duties or decision-making responsibilities of the board of selectmen, finance committee or a town administrator.

In Townsend, we would expect a financial management team to comprise the town administrator, an assessor, the accountant, the collector/treasurer and the MIS Director. The town administrator would chair the group which might meet quarterly and more frequently if circumstances so warranted.

Recommendation 5: Provide for Succession Planning

We recommend the town develop a plan to fill anticipated vacancies. Although Townsend has longevity in town hall, at least one departure may be imminent. A plan for filling vacancies can provide for smooth and thoughtful transitions. A plan also presents an opportunity to rethink individual roles and office functions with an eye toward creating greater efficiencies and possible cost savings. It should be simple and easy to implement.

As an initial step, when town officials become aware of an impending vacancy, they should establish a target date when the position will be filled. They should allow time to gather information about core functions and legal responsibilities of the office and/or the position. Included would be any job description, position classification and grade, hours assigned and

⁵ The offices to be filled by ballot are the Board of Selectmen, Town Moderator, Town Clerk, Tax Collector, Board of Assessors, Board of Health, Planning Board, Board of Water Commissioners, Board of Library Trustees, North Middlesex Regional School Committee Representatives, Cemetery and Parks Commissioners, Recreation Commissioners, Trustees of Soldiers' Memorials, Amanda Dwight Entertainment Fund and Townsend Housing Authority.

benefits package, if any. Applicable provisions of the personnel policies or bylaws should be identified.

Before advertising the position, a salary survey of neighboring towns should be completed to determine whether the town is sufficiently competitive to attract qualified job candidates. Through interviews with the departing employee, remaining staff and others, discussion of whether changes in the job duties or office functions are warranted should take place. The skill sets, experience and qualifications necessary to fulfill the resulting job responsibilities should be defined and incorporated into an updated job description.

A vacancy also presents an opportunity to explore whether options exist to merge positions internally or to share costs with other towns. Contracting out for a particular service might also be an efficient alternative.

Recommendation 6: Request a Management Letter with Independent Audits

We recommend the town request a management letter whenever it contracts for an independent audit of its financial statements. The management letter is the independent auditor's written communication to town officials, separate from the audit report. It identifies areas of deficiency, if any, and presents recommendations for improvements in accounting procedures, internal controls and other matters. To be most effective, the town should require the audit firm's managers to appear before the board of selectmen to answer questions regarding their findings. This approach presents an opportune forum to assess the town's financial position and hold financial team members accountable for their performance.

As a routine practice, we also comment on the number of years that a municipality might contract with or rely on the same auditor. The Government Finance Officers Association (GFOA) recommends that communities enter into multi-year agreements with auditors, or a series of one-year contracts, for a term of at least five years. A multi-year agreement allows for greater continuity and enables a new auditor to spread initial start-up costs over multiple years, potentially reducing costs in the initial years. However, after this term, GFOA recommends a full competitive selection process and a rotation of auditors after each multi-year agreement. Contracting with a new audit firm can not only bring a fresh perspective, but reflects good practice. In general, communities are encouraged to re-advertise for auditing services every five to eight years. GFOA also acknowledges circumstances or locations where there is a lack of competition among fully qualified auditors. In such cases, the continued participation of the then current auditor is acceptable, assuming their past performance has been satisfactory and has conformed to industry standards.

Recommendation 7: Move Water Department Billing to Collector's Office

We recommend the town shift the responsibility for collecting water fees to the collector's office. Currently the office clerks in the Water Department are responsible for assigning charges to 1,940 water users. They print, mail and collect water bills. Then they receive and post payments to the computer system, and turn over collections to the treasurer. As a result, an important check and balance is missing when the same department both commits charges and collects payments.

Instead, the water bills should be committed by the water department to the collector who would receive and post payments. Bills can still be issued by the water department, including printing, stuffing and mailing. Shifting the collection functions into the collector/treasurer's office will restore an important check and balance.

Adoption of this recommendation will increase the workload of the collector's office and decrease the workload of the water department so some reallocation of staff may be required especially in July 2011 when the town intends to move from semi-annual to quarterly billing of water accounts. One way to address this issue is to consider the use of a lockbox.

Recommendation 8: Clarify the Reporting Responsibility of the Administrative Assistant

We recommend that the administrative assistant report solely to the town administrator. The administrative assistant in Townsend currently reports to the board of selectmen and the town administrator. Her primary responsibilities include clerical and administrative support for the board as well as responsibility for personnel administration and procurement. Moving forward, we recommend that the administrative assistant work at the direction of the town administrator. Under this arrangement, she would still be expected to complete board related responsibilities, such as the agenda, minutes and correspondence, but would ultimately report to the town administrator who is in a better position to direct her day-to-day activities. The administrative assistant would also benefit by having a single set of priorities. As is common in most towns, the board of selectmen's primary access to municipal government would be through the town administrator. In this way, a management hierarchy is clear. The town administrator will be aware of selectmen's concerns and questions and can determine how to be most responsive.

Implement New Policies and Procedures

Recommendation 9: Conduct Employee Performance Reviews

We recommend that annual performance reviews be conducted for all employees. Increasingly, government is placing greater attention on written job descriptions with goals, performance expectations, and provisions for annual employee evaluations. Based on each employee's duties and responsibilities and the evaluation standards established by the personnel committee, a department head or supervisor would develop benchmarks by which each employee's job performance may be measured. Annual evaluations are typically used to reward employees with a step increase for a job well done and/or given suggestions if performance improvement is warranted. In Townsend, annual performance reviews were routine until FY2009 when there was no appropriation to provide for salary adjustments; today only a handful of employees are evaluated.

We believe an evaluation program works best when it is recognized as a two-way process. Employee performance is an obvious focus, but employee opinion and comment during the process can provide valuable insight to management. Ultimately, the evaluation process can evolve into a collaborative effort leading to improvements in job performance, the operation of government and in work place conditions. For these reasons, performance evaluations should be revived even if no salary adjustments are forthcoming.

Recommendation 10: Investigate Costs and Benefits of a Lockbox Service

We recommend that the collector/treasurer's office identify the costs and benefits associated with a lockbox. A lockbox, managed by an outside financial institution, receives tax and/or other payments, deposits checks and returns daily receipt reports to the town during a given billing period. To post payments, collector/treasurer staff can usually upload data gathered by the financial institution directly to its accounts receivable software. This will not be the case in Townsend, which uses an older version of Point software. Instead the town may be forced to pay the Point developer to convert the lockbox file to the necessary format or upgrade its version of the software (see ***Recommendation 16***). Even so, when aggressively promoted, a lockbox reduces over-the-counter and mail transactions and accelerates deposits. The additional interest earned and efficiencies gained can help offset the service costs. With a greater percentage of bills collected via the lockbox, the collector/treasurer's staff should save time, allowing them to pursue other activities. This option becomes especially attractive if the collector begins to receive water payments.

Recommendation 11: Record Deputy Collector Payment on Vendor Warrant

We recommend that the collector pay the deputy collector through the standard vendor warrant process. Like most collectors, Townsend uses the services of a deputy collector to generate motor vehicle excise tax bills and to collect delinquent motor vehicle excise and personal property tax bills. The deputy collector, Kelly & Ryan, makes a periodic turnover of delinquent payments to the collector, but net of his fees. Financial controls are stronger when the deputy collector turns over all the fees paid, submits a detailed bill of his fees to the collector, which is paid through the standard vendor warrant process with the appropriate checks by the town accountant.

Recommendation 12: Apply Partial Payments to Interest First

We recommend that the water department apply partial payments from delinquent ratepayers to interest and collection costs before the underlying water obligation. As a result of G.L. c. 60 §3E, which was added in 2003, the taxpayer can no longer direct that any payment tendered for a particular obligation be applied to principal first; the payment will be applied to accrued interest, collection costs, and then the obligation. During the course of our interviews we discovered that the water department clerks were routinely applying partial payments to the principal amount first.

As a general rule, most automated collection systems are set up so that partial payments tendered for an annual tax bill would be applied in the following order: interest, collection costs, liens/charges/betterments (in order of smallest or oldest) and real estate tax. The application of partial payments for water bills should follow the same order. The water department should contact its water utility software provider, EasyBill Software, to determine if the software can be modified in this manner. If it cannot, the clerks will have to assign payments manually to comply with state law.

Recommendation 13: Establish a Drop-Box at Town Hall

We recommend that the collector place a secure drop-box at town hall. The drop-box outside town hall can be used to receive on time, as well as delinquent, payments for real estate and motor vehicle excise taxes. As a taxpayer convenience, many towns have installed a secure mail box so that payments can be delivered to town hall even when it is closed to the public.

Recommendation 14: Require All Grants and Contracts

We recommend that the accountant receive copies of all grants and contracts. We recommend that all departments, boards and commissions submit copies of all grants and

contracts to the accountant's office in compliance with MGL Chapter 41 §57. The accountant must be able to substantiate all revenue sources against which vendor payments are charged, and verify that the terms of the contract are met when reviewing payment requests. Therefore, whether a department reports to the selectmen or to an independently elected or appointed board such as the board of water commissioners, it must submit contracts and grants to the accountant's office. If a bill is submitted for payment and the contract that contains information to payment terms is not on file, the accountant should not process the payment until said contract is presented. We understand that most departments are in compliance with this provision with the exception of the water department. We would remind the water department that the fact that it operates as an enterprise fund does not exempt it from this requirement.

Recommendation 15: Require Evidence of Departmental Reconciliations

We recommend the town accountant require signed acknowledgement from department heads that they agree with the balances of monthly revenue and expenditure reports she distributes. The town accountant distributes monthly revenue and expenditure reports to every town board and department as required by law. As an additional step, we suggest that town boards and department heads email the town accountant to communicate their agreement or disagreement with her figures each month. Early identification of differences or errors will allow for earlier resolution, provide a more accurate picture of the town's financial condition and simplify year-end procedures.

Recommendation 16: Issue Sales Questionnaires

We recommend that the assessors regularly send out sale verification questionnaires. Assessors must gather and analyze sales data in order to conduct a mass appraisal program that fairly values the community's property at full and fair market value. Sale details of comparable properties are the primary indicators of property values in a community. The validity of the sales analysis depends in large part on the selection of arms-length sales. While the office does conduct inspections of sale properties, sale questionnaires are another method to determine whether a sale is arms-length or whether there are special circumstances. With 114 sales in FY2010, sale questionnaires would have contributed another information source to ensure that property records are accurate and up-to-date.

Make Better Use of Technology in Government

Recommendation 17: Explore Financial Software Options

We recommend the town explore upgrades to its financial management software. The financial offices use stand alone software packages that are not integrated or compatible with each other or other technology in use. With a single software package or compatible applications, departments can more easily share data, reduce data entry errors and eliminate duplicative data entry. The accountant's LBA Fund Accounting software does not interface with the collector/treasurer's software so both must hand key all town receipts each month. The Townsend assessor and collector continue to use the same version of Point Software that was originally installed in the town in 1996; it requires the collector's staff to hand key each of the approximate 11,000 motor vehicle excise tax payments. The software upgrades may necessitate an increased cost but this should be evaluated against the value of time savings of the accountant and assistant collector/treasurer.

A software evaluation committee chaired by the town administrator, and consisting of the accountant, principal assessor, assistant collector/treasurer and MIS Director should be formed to explore options. The Water Department should be included if the town intends to adopt ***Recommendation 6*** to shift water department collections to the Collector. At the very minimum, Townsend should purchase an upgrade to its Point software for both the assessor and the collector.

Recommendation 18: Promote On-Line Property Tax Data

We recommend that the town promote the use of on-line property records. 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. In addition to minimizing office traffic, it offers convenience and flexibility to taxpayers. It also sends a message to taxpayers about progressive customer service and the use of technology. The Townsend property records were put on-line in January 2011 but the assessor's staff has not yet noticed any decline in office activity. The town may consider putting an insert into the next tax bill mailing notifying taxpayers of the service.

Recommendation 19: Expand the Use of GIS

We recommend that the town expand the use of its Geographical Information System (GIS). Currently, the town's GIS system data base only includes resident property information originating from the assessors' office. However, at full utilization, a GIS system typically incorporates overlay information of value to the water operation, the highway department, the

conservation commission and any other town office that works with real property, infrastructure or natural characteristics of the town. Therefore, we recommend the town explore expanding its utilization of GIS. One course of action is to meet with counterparts in other communities to learn of potential benefits and costs.

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

Joe Markarian, Director, Technical Assistance Section

Scot Keefe, Project Manager, Technical Assistance Section

Zack Blake, Fiscal Analyst, Technical Assistance Section

Amy Januskiewicz, Field Representative, Bureau of Accounts

Thomas Dawley, Community Advisor, Bureau of Local Assessment

In preparing this review, DLS interviewed the following persons:

Town of Townsend

Robert Plamondon, Board of Selectmen

Susan Lisio, Board of Selectmen

Nicholas Thalheimer, Board of Selectmen

Andrew Sheehan, Town Administrator

Carolyn Smart, Administrative Assistant

Paul Nicoli, Chair, Finance Committee

Kimberley S. Fales CPA, CGA, Town Accountant

Victoria Tidman, Principal Assessor

Janina Majeran, Administrative Assessor

Kathleen Rossbach, Treasurer/Tax Collector

Marron Ryan, Assistant Treasurer/Tax Collector

Stephen R. Cloutier, MIS Director

Cheryl Simoneau, Payroll Clerk

Paul Rafuse, Water Superintendent

Susan Funaiolo, Town Clerk