



Town of Tyngsborough

Financial Management Review

Division of Local Services/Technical Assistance Section

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 Tyngsborough.

We have based our findings and recommendations on site visits by a team consisting of staff from the Division's Bureau of Accounts (BOA), Bureau of Local Assessment (BLA) and Municipal Data Management & Technical Assistance Bureau (MDM/TAB). During these visits and by telephone, the team interviewed and received information from members of the board of selectmen and the finance committee, the town administrator, town accountant, town treasurer, town collector, assistant 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 charter and by-laws as well as other assorted financial records. Other documents reviewed included the town's August 2007 rating report from Moody's Investors Service and the independent audits for FY2005 and FY2006 completed by R.E. Brown & Company, CPAs.

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 members of the board 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 town boards, committees and officials.

Overview

The Division of Local Services (DLS) typically conducts financial management reviews in instances where help is sought to resolve a particular problem, or where an overall evaluation of government operations is desired. In Tyngsborough, the board of selectmen made a formal request that DLS review the town's fiscal practices in search of ways to improve financial planning and policies.

Tyngsborough, with a population of 11,542 (2006 estimate), is located along the Merrimack River in northern Middlesex County. Encompassing 16.9 square miles, the town is approximately 37 miles northwest of Boston. It is bordered to the north by the city of Nashua and town of Hudson, both in New Hampshire; to the east by the city of Lowell and the town of Dracut; to the south by the towns of Chelmsford and Westford; and to the west by the towns of Groton and Dunstable. Primary transportation arteries include Routes 3 and 113, which provide convenient access to I-495 in Chelmsford and the MBTA commuter rail in Lowell.

According to the FY2008 tax recap sheet submitted to DLS, Tyngsborough has a \$34.7 million budget for FY2008. The town assesses property taxes at a single rate - \$11.71 per \$1,000 of assessed value. The average single family home is assessed at \$369,939 with a corresponding tax bill of \$4,332. Taxes on residential property account for 87.3 percent of the total real and personal property levy of \$17.9 million.

The legal framework for financial management in Tyngsborough is established in relevant town by-laws. The selectmen collectively act as the head of the executive branch of government and appoint a town administrator to manage day-to-day operations. The town accountant and town treasurer are appointed by the board of selectmen at the recommendation of the town administrator. The town collector is elected. Operations in the assessing office are overseen by a chief assessor who is appointed by an elected board of assessors. There is a finance committee which annually reviews the budget and recommends action to town meeting. More recently, a capital asset management committee was created by town meeting to prepare and make recommendations on a five-year capital plan. The committee consists of representatives from the selectmen, finance committee and school committee in addition to the town accountant and town treasurer. Tyngsborough has also incorporated the use of so-called "tri-board" meetings among the selectmen, finance committee and school committee to develop budget solutions in advance of town meeting. Increasingly, this practice is implemented by towns in the Commonwealth, with reported success.

Our review found many areas of strength at town hall. However, we also see challenges ahead. While managers and staff effectively complete routine day-to-day duties, as well as periodically recurring tasks, higher level attention to long-term planning is lacking. We also found that the town's technology infrastructure is outdated and, as a result, some work processes are cumbersome. In addition, while staff members are qualified and diligent, there are barriers

inherent in the governmental structure that impede coordination and improvement of financial processes. Still, in this environment, we found that department heads are competent and well-versed in the application of public management principles. The elected officials we met are informed and engaged in the town's financial affairs. Furthermore, the financial management team and elected officials work well together. Indeed, they must, since the budget is always tight and residents' limited appetite for a Proposition 2½ override has necessitated difficult decision-making.

Of the 11 operating budget overrides placed on the town ballot since Proposition 2½ came into effect, only two have passed (FY1989 and FY1990). In this decade, all four operating override attempts have failed with an average affirmative vote of 31.9 percent. As a result, officials in Tyngsborough have worked hard to manage spending within revenue constraints but, in the process, have developed an unhealthy reliance on reserves. In FY2001, Tyngsborough's combined total of free cash and stabilization was over \$4.4 million, or 16.9 percent of the total budget. After a period of significant draw-downs lasting through FY2006, the town had just over \$1 million in free cash and \$18,614 in stabilization, equating to 3.48 percent of the total budget. While an effort has been made to appropriate to stabilization in FY2007 and FY2008, the free cash balance has declined in FY2008 as a result of funding both stabilization and the operating budget. Despite the elimination of positions and hours over the years and fiscal stress in general, basic services have been maintained. However, we find that balancing future budgets in the absence of additional, recurring revenue sources may force the town to reduce service levels.

Municipal affairs are overseen by a full-time town administrator. Among her duties are responsibilities that involve coordinating departmental activities, budgeting, monitoring finances, identifying ongoing capital and maintenance needs, contract negotiations, economic development and procurement. A good working relationship appears to have evolved between the town administrator and members of both the board of selectmen and finance committee. As a result, her policy and procedural initiatives relative to the budget process, the use of free cash and replenishment of the stabilization fund have been well-received. Moving forward, formal reserve and debt policies, as well as ways to refuel the capital improvement program are expected to get more of her attention.

Because resources are lacking at the departmental level, the town administrator's time is further taxed to the extent that she is frequently required, by default, to complete certain tasks or analytical work (e.g. request for proposal specifications, technical support for planning and economic development, etc.). As time goes on, there is the prospect that, as an unintended consequence, there will develop a further expectation that she take on more and more work. When considering the implementation of recommendations laid out in this report, we encourage the selectmen to be mindful of these workload circumstances and staff availability to take on new projects. In a positive step, the town is advertising for a part-time town engineer, whose

responsibilities will diminish reliance on the town administrator and others to provide support and perform certain tasks.

Conclusion – There are relatively few department-specific recommendations in our report, which reflects our finding that finance-related managers and staff perform their respective duties in a professional and competent manner. The recommendations we offer are intended to help the town improve certain procedures, strengthen internal controls, and take greater advantage of technology.

At a higher level of decision making, we see a need for the town to develop a broader, long-range focus. We are encouraged that local leaders have already revealed a desire to be more forward-thinking, to anticipate challenges and develop solutions proactively. It is our hope to provide guidance through our recommendations.

Finally, to accomplish the goals outlined in our recommendations will require a realization by town policy-makers and residents that, as in any community, ongoing revenues rarely, if ever, support level service budgets in a long-term scenario. Keeping pace will require creative thinking as well as an on-going effort to plan and manage in a way that balances what the town wants and needs with what its citizens are willing to pay for.

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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 scrutinized the town's current operations in contrast with best practices recommended by the Department of Revenue (DOR) and observed in other communities. 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 DOR.

In Tyngsborough, the board of selectmen functions as the executive and town meeting is the legislative branch of government. A town administrator, whose primary duties are established in by-law and a formal job description, oversees the day-to-day management of municipal offices.

An elected finance committee reviews the operating budget requests of each municipal department as proposed by the board of selectmen and the town administrator. The committee subsequently issues a report in advance of the annual town meeting, but makes no formal presentation of the budget. There is a capital asset management committee that considers town-wide infrastructure needs according to criteria established in Article XL of the town by-laws. While no formal, multi-year plan exists for operating costs, a five-year capital plan is revised by the committee on an annual basis. All capital budget appropriations for the ensuing fiscal year are made by town meeting.

One practice recently established in Tyngsborough is the concept of "tri-board" meetings. Originally intended to confront acute fiscal challenges, the meetings have expanded to become a standard part of the budget process in which the selectmen, finance committee and school committee meet to build consensus in advance of town meeting.

Conclusion – Our review found that Tyngsborough struggles operationally in the face of revenue restrictions and lean staffing. However, town government fulfills its fiscal duties in a thorough, timely manner. In addition, staff appear to have a positive working relationship with one another. Our report acknowledges the adversity faced by government, which primarily stems from a lack of resources and is manifested in repeatedly tight budgets. We also feel that the town could help mitigate its situation through greater long-term planning efforts. Our recommendations, therefore, are designed to encourage forward-looking approaches similar to, and expanding on, some of those already being advocated locally.

Recommendation 1: Set Priorities for Town Administrator

We recommend that the selectmen work with the town administrator to set goals, objectives and priorities. The responsibilities of the town administrator are wide ranging and expanding. However, unlike many of her counterparts in other communities, the Tyngsborough town administrator has a heavy role in economic development, performs some functions normally tasked to a town engineer, willingly takes on special projects and sometimes works in a staff, rather than a manager, capacity. Despite her good intentions and willingness, we would be wary of the town administrator's continued effectiveness if she is stretched thin. Managing a significant budget and looking to plan long-term call for the completion of higher level tasks and analyses which will demand the full attention of the town administrator. This type of work, and management level functions in general, represent the most effective use of her time. Therefore, the town administrator and the selectmen should discuss and determine where her time is best spent. At the end of the year, the selectmen should formally evaluate the town administrator based on the goals previously established.

Recommendation 2: Establish Formal Goals and Objectives Town-wide

We recommend that the town administrator annually review goals and objectives for town departments. The beginning of each fiscal year presents an opportunity to establish goals and objectives for individual departments. By working with department heads, the town administrator can develop a series of specific and reasonable benchmarks for each to accomplish, consistent with the mission of town government. During the year, opportunities will arise to discuss progress and, if necessary, bring additional focus to bear on areas where shortcomings are identified. By year-end, departmental performance can be assessed and feedback provided, with appropriate adjustments being made for the ensuing year. Having a system of formal goals fosters an environment of expectations for departments and provides clarity of purpose, which becomes the basis for annual budgets.

We further recommend that the town conduct performance reviews for department heads and staff. Performance evaluations are required under Section 21 of the town's personnel by-law. However, job criteria established in collective bargaining agreements and personal service contracts have, in the minds of some, supplanted the applicability of Section 21. As a result, there has been a lapse in the practice of reviewing worker performance.

Nonetheless, performance evaluations can still serve a valuable purpose and therefore, we recommend that they be reinstated. Employee evaluations can reinforce responsibilities and clarify job expectations for managers and staff. Reviews present an opportunity to update and ensure that job descriptions reflect what people actually do on a daily basis. The process provides employees with constructive feedback on their job performance, as well as outlines

future objectives and goals. Performance evaluations also serve as a mechanism for employees to express their opinions and afford management insight into the morale of town hall. If implemented in a methodical, even-handed way, regular job performance evaluations can reinforce accountability, bolster employee morale and elevate resident confidence in government. The town should also be aware that instituting performance reviews may be subject to bargaining for certain employees.

Recommendation 3: Address Town Government Issues

We recommend that the town appoint a town government study committee to examine issues of government structure. It is our understanding that the appointment of a government study committee has been discussed by some town officials for at least the past year. In general, we agree that such a committee can serve a valuable purpose for the town.

Typically appointed by the selectmen, or when town meeting directs by the moderator, a committee need not be restricted in the number of committee members. The appointing authority would provide the committee with its charge, which can be broadly defined to encompass all aspects of local government or narrowly defined to restrict the scope of investigation. In its charge, the committee can also be directed to complete its work in a shorter time frame than what the law requires for a charter commission.

During our review, we noted several aspects of government that might be worth the attention of a Tyngsborough government study committee:

- Changing from an open to a representative town meeting
- Changing the elected finance committee to one appointed by the moderator
- Changing the elected board of assessors to one appointed by the selectmen
- Changing the collector's position from elected to appointed by the selectmen
- Combining the treasurer and collector functions
- Delegating appointment and other authority to the town administrator
- Creating a consolidated department of public works under an appointed superintendent, who would also have credentials to act as town engineer

Recommendation 4: Conduct Multi-Year Forecasts and Financial Planning

We recommend that the town administrator annually build a 3-5 year revenue and expenditure forecast and review it with the town tri-board. Recently, the town administrator has begun multi-year estimating for internal planning purposes. However, other town officials report that there is no formal review of projected revenue and expenditure trends. Under the constraints of Proposition 2 ½, local budgeting is an inherently revenue-driven process. Consequently, financial forecasting can be a valuable tool at the start of the budget process and to provide guidance for town spending.

To assist in developing multi-year budget forecasts, we direct the town administrator to the Department of Revenue's Revenue and Expenditure Forecasting Tool available on the Technical Assistance website (www.mass.gov/dls). It contains detailed information and pre-set calculation tables that can help communities customize revenue and expenditure assumptions to produce multi-year financial projections. It is a powerful tool that is easy to use and comes complete with an online user's guide.

We further recommend that the town develop a multi-year financial plan. Implicit in many of our recommendations is the larger concept of financial planning. While "forecasting" and "planning" are often used synonymously, we regard a revenue and expenditure forecast as an informative tool that is merely the first step of a long-range planning process. Furthermore, a town-wide financial plan would integrate many of the other recommendations made in this report including the adoption of policies (such as reserve policies) and analyses of community goals and their long-term impact on spending. The purpose of this plan is to call attention to the community's current and anticipated fiscal condition and to prompt discussion of the alternatives available to manage it. Whatever form such a plan takes, it should contain the following core elements:

1. Multi-year outlook (3-5 fiscal years)
2. Inventory of revenue sources and projected increases/decreases
3. Expenditure projections that reflect labor, expenses and planned service levels
4. Impact of financial goals/policies are assigned a specific dollar value
5. Integration of infrastructure investment based on approved capital plan
6. Current-year revenue and expenditure monitoring (see Recommendation 6)
7. Presentation format that facilitates meaningful communication to the public

As a next step, we recommend that the board of selectmen collaborate with the town administrator, the town accountant, the finance committee and the school committee to develop consensus on the plan's content.

Recommendation 5: Agree on Revenue Projections in the Fall

We recommend that revenue projections be presented to the town tri-board at the start of the annual budget process. Traditionally, revenue projections in Tyngsborough are done at the same time that departments are formulating appropriation requests. Instead, we suggest that projections be presented to a joint meeting of the selectmen, school committee and finance committee before budget instructions are distributed so that consensus can be reached on available funds, the use of reserves, and the allocation of resources in general. These and other policy decisions can then form the basis of budget guidelines for department managers as they

begin to prepare their appropriation requests. Later, as the budget nears final approval, little disagreement should arise on expectations, and a united front can be presented to town meeting.

Recommendation 6: Conduct Quarterly Budget Projections

We recommend that the town administrator complete quarterly budget projections for the current fiscal year. Once the fiscal year has begun, it is important to have systems in place to monitor the budget throughout the year. Quarterly projections are a tool used to benchmark year-to-date income and spending against the approved budget. Performing such analysis is also viewed favorably by bond rating agencies. Once all financial activity for the last month in a quarter is closed (September, December, March), new projections to year-end can be developed based on expenditure and payroll information contained within the financial system along with information obtained from department heads on their intended expenditures. It is the analysis through year-end that differentiates quarterly projections from the statutorily required monthly reports generated by the accountant.

In general, projections should consist of a table, or spreadsheet, showing the original departmental budgets, year-to-date expenditures in the same line item detail, and a projection of any variance (positive or negative) by year-end. A separate table would show variances in budgeted-to-actual revenues. Still more sophisticated analyses match-up actual revenues with the departments that generate them. To be most effective, a projection analysis should be performed on each town fund, i.e. the general, capital, revolving, grant, trust and special revenue funds. Narrative analysis of the fiscal picture should also accompany each table to highlight the specific issues in a given department that may cause a budget deviance.

Regular budget-to-actual reporting and analysis gives decision makers greater insight into cash flow demands and enhances the number of options available to meet financial challenges. Opportunities are created to adjust spending behavior if revenue is not hitting expectations or if departments are spending more than expected. When revenue trends are strong and expenditures are incurred at a slower pace than anticipated, quarterly projections can, by the end of the 3rd quarter, bring into focus possibilities for larger than expected positive balances. Understanding the breadth and depth of outstanding balances, in turn, enables decision makers to prioritize and manage 4th quarter spending and increase end-of-year departmental turn backs. This last point can help cities and towns in their efforts to build reserves through the generation of free cash.

Recommendation 7: Make Budget Presentation at Town Meeting

We recommend that the finance committee present a budget message to the annual town meeting. Under town by-laws, the finance committee is required to provide town meeting with its analysis of any appropriation articles. As an independent voice, the finance committee's opinion on the budget can be a credible influence. For this reason, it is common in other towns for a finance committee chair to present a formal budget message to town meeting.

A presentation might describe the finance committee's role in the budget process and how the committee arrived at its conclusions. It might include a summary of revenue and expenditure trends and a general statement on the town's fiscal health. Explained could be the major cost drivers in the ensuing year's proposed budget and a description of how the budget fits into the town's long-term financial and capital plans.

The finance committee should coordinate the substance of its message with that of the town administrator and board of selectmen. However, by presenting a budget message, the committee underscores its role as watchdog over municipal finances.

Recommendation 8: Establish Formal Reserve and Debt Policies

We recommend that the town adopt a formal policy that defines adequate reserve levels based on the community's needs. Tyngsborough's financial reserves are thin when measured against general DLS benchmarks. Free cash (\$495,599) and general stabilization funds (\$745,364) as of June 30, 2007 was 3.58 percent of the FY2008 operating budget (\$34.7 million).

This total reflects a persistent decline in reserves between FY2001 and FY2006. Moving forward, to avoid further erosion in reserve levels, and greater financial exposure, a formal reserve policy should be adopted. It should define, in specific language, the amount of available funds to be retained in any given year, as well as the circumstances under which these reserves will be spent. A formal reserve policy should reflect a consensus among board of selectmen and finance committee members that defines target reserve levels as part of a broader financial plan.

Combined, free cash and general stabilization balances should be in the 5-7 percent range of annual general fund revenue. Both should be treated as one-time revenue and, therefore, only be put toward one-time expenses. However, when municipalities fund operating budgets with free cash, it is sound policy to retain, as unexpended, an equal amount to serve as a starting point for the next year's free cash calculation.

We recommend that the town adopt a formal policy to guide decisions on debt issuance. The importance of having a debt policy will become more relevant as the capital asset management committee continues deliberations on ways to meet the challenges to maintain the town's equipment, buildings and infrastructure. The town's financial advisor (First Southwest Company) can be of assistance in developing a policy specifically for Tyngsborough which should, among other considerations:

- Specify purposes for which long and short-term borrowing will be permitted, in accordance with state law.
- Set parameters for amortization of long-term debt (i.e., how long to borrow money above or below a certain amount).

- Set limits on the debt service payments as a percent of general fund operating budget and separately for enterprise funds.

Once debt policies are established, the town can use the guidelines and thresholds to fully develop their capital improvement plan and more accurately predict funding sources.

Developing a more comprehensive and accurate funding plan will, in turn, improve the precision of the town's revenue and expenditure forecast (see Recommendation 4).

Recommendation 9: Further Enhance Capital Budgeting

We recommend that, to the extent possible, all capital expenditures be included in one of two capital articles on the town meeting warrant. Tyngsborough 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 10: Enhance and Shift Payroll Process

We recommend that the town require departments to submit uniform timesheets, cover sheets and payroll information. Currently, departments submit employee hours to the payroll clerk in a variety of timesheet formats. The payroll clerk in the treasurer's office then manually calculates the breakdown of pay types and re-keys the payroll information into the FundSense software.

First, we recommend that all employee hours be reported on a uniform time sheet, preferably in an Excel spreadsheet. The form should be set up to report hours by day and by type of time used (e.g., sick, vacation, compensatory, etc.). Second, we recommend that a cover sheet be prepared and submitted by each department, summarizing total hours of each type worked during the pay period as well as gross pay for each employee. With employee signatures and that of the department head (or board), as required by law, the payroll clerk is justified to regard

the information provided as confirmed and accurate. In any event, we recommend that the payroll clerk cease the manual recalculation of hours and pay information from time sheets submitted to her. Finally, whereas the FundSense software is scheduled to be replaced by the end of the calendar year, the town should implement a software package that allows entry of employee hours on an exception basis, thereby saving staff from further duplication of effort (see Recommendation 19).

We recommend that responsibility for payroll processing be shifted to the accountant's office. Currently, the assistant accountant processes vendor bills in the accountant's office. Under the treasurer's supervision, she also completes the payroll process and receives departmental turnovers when the treasurer or her assistant are unavailable. The combination of these responsibilities in one person can be viewed to conflict with state law which prohibits the accountant from performing treasurer functions. The intent behind this prohibition is to segregate the duties of those who handle cash from those who have access to accounting records.

Therefore, to avoid the appearance of impropriety and to be in greater compliance with state law, we recommend that the assistant accountant/payroll clerk work under the sole supervision of the town accountant. She would continue her payroll-related duties and might also take on the responsibility for processing vendor invoices for the school department from the assistant treasurer, who would in return have to accept full responsibility for accepting departmental turnovers.

The additional time necessary to process the school invoices should be gained by time-savings realized once exception reporting, electronic timesheets and uniform departmental cover sheets are in full use. Further time can be saved by moving the town to a bi-weekly pay period (see Recommendation 13). However, it should be understood that the treasurer must continue to sign checks and verify that payroll account entries match the printed checks.

Recommendation 11: Develop Written Policies on Personnel and Payroll Records

We recommend that the town administrator and treasurer develop a written policy to separate and restrict access to personnel files. To our knowledge, Tyngsborough has no specific policies or rules concerning personnel files. Therefore, we recommend that officials prepare and commit to a policy that sets standards for file maintenance and storage, and that restricts file access. Personnel files for each employee should contain information regarding their relationship with the municipality and should be maintained in a way consistent with state and federal laws, regulations, and town policies. There are three specific types of employee information that can be maintained in the same location, but must be filed in separate folders.

1. Personnel data, including all documents kept by an employer that have been used or may affect qualifications for employment, promotion, transfer, additional compensation, or disciplinary action, as outlined under M.G.L. c. 149, §52C;
2. Personal information, protected under M.G.L. c. 214 §1(b); and
3. Medical records including Workers' Compensation and Family and Medical Leave, protected by the American Disabilities Act.

Recommendation 12: Address Financial Office Layout Issues

We recommend that the town seek ways to provide better working space for staff in the financial office area. The current open office layout subjects employees in the assessors, accountant, treasurer and collector's departments to frequent disruptions. It also contributes to a poor perception of government on the part of the public. We understand that the town is aware of the space issue in these offices and is exploring options. In the meantime, we recommend that the town consider creating workstations or installing dividers that will provide a sense of privacy and a buffer from distractions. If possible, setting-up a private office can also allow staff to work-out a schedule of uninterrupted time to use a computer workstation. For this purpose, one of the two conference rooms near the town administrator's office would suffice.

Recommendation 13: Convert to Bi-Weekly Payroll

We recommend that Tyngsborough seek to move town personnel from a weekly to bi-weekly payroll schedule. The Commonwealth and an increasing number of public and private sector employers compensate employees on a bi-weekly basis. In Tyngsborough, and all other Massachusetts municipalities, teachers and school administrators are already on a bi-weekly pay schedule. A bi-weekly pay schedule would produce nominal savings, but would more significantly free-up staff time on non-pay weeks and enable them to focus on other tasks. To move employees to a bi-weekly pay period will require collective bargaining.

Technology

Information Technology (IT) is a vital component of contemporary municipal government. Whereas financial processes are data intensive, IT utilization and support is all the more relevant. Budgets, ledgers, cash books and other financial records are typically maintained electronically. Electronic transactions between governments and banking institutions have also become the norm. As a practical matter, financial and operational systems' heavy reliance on technology necessitates that knowledgeable, system-savvy individuals be involved in the purchase and support of equipment and software. To facilitate this need, communities often employ one or more full-time professionals as part of an IT department or unit.

In Tyngsborough, the IT function is performed by the deputy chief of police, who volunteers approximately 4-6 hours per week in town hall on technology issues plus additional hours of telephone support to town hall employees. He manages technology at four sites (i.e. town hall, police, fire and highway departments) and accounts for approximately 60 workstations at town hall and another 30 at the other town facilities. He also serves as the town's webmaster.

Department heads and staff all have access to email and the internet. There are three servers in town hall and an additional server at the police department. The town maintains service contracts with FundSense (financial management system), Patriot Properties (appraisal) and Point Software (motor vehicle excise and collections). Trend Micro anti-virus software is in place to protect the town's data network. In addition, data is backed-up nightly on hard disk and weekly on tape. The appropriation for technology equipment and expenses is \$10,000 for FY2008.

Conclusion - As a one-person department, the deputy chief of police provides quality IT support to town departments in a highly efficient manner and at no additional cost to the town. Looking ahead, Tyngsborough may find that town-wide technology needs exceed his capacity to provide this service, but in the meantime, we envision mutual benefits if this relationship continues. With this in mind, our recommendations are designed to encourage a forward-looking approach toward the use of technology in town departments.

Recommendation 14: Fund Technology Education

We recommend that the town make funds available for advanced technology training. We suggest the town encourage, and cover the cost of, advanced technology training for the deputy chief of police. The higher level training he receives would be of mutual benefit and a reasonable gesture in lieu of salary. Such an arrangement would also help to forestall the future day when Tyngsborough will be forced to contract for technology support or fund a technology department at higher than its present cost.

Recommendation 15: Develop Town-wide Technology Plan

We recommend that the town administrator work with the town's IT coordinator to develop a multi-year plan for utilizing technology in government. Regardless of available resources, assessing needs and developing a long-term technology plan is an essential component of modern municipal government. Toward this end, communities have found success in developing formal, coordinated technology plans by relying on staff involvement. Accordingly, we recommend that the town administrator form, and chair, an ad hoc technology committee comprised of the deputy police chief and department heads who represent end-users. In general, the committee should agree on a long-term process to evaluate, and report on, the town's current technology status, the performance of hardware and software, the proficiency of staff and future needs. The components of a technology program might include:

- An evaluation of troubleshooting capabilities
- An inventory of hardware and software
- Development of a replacement and upgrade schedule
- A long-term financing plan
- An analysis of system capacity to handle current and future demands
- The design and implementation of a back-up policy
- A survey of employees to assess training and software needs
- The development of Internet and email policies

At the very least, the town should develop and fund a long-term hardware replacement schedule, set-out a process for technology purchases that flows through the technology coordinator, and agree on a means for evaluating the effectiveness of software.

Treasurer

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 Tyngsborough, the treasurer has been in office for just over two years, after having served during the prior 12 years as the assistant treasurer. Staff includes the assistant treasurer, who has been with the town for 18 months, and a part-time clerk who also serves 7.5 hours each week as assistant accountant. The clerk currently processes payroll in the treasurer's office on a weekly basis. However, the prospect of moving to a bi-weekly pay period is currently under discussion. Such a transition could potentially free-up the clerk's time to focus on other tasks.

The office is equipped with desktop computers with Microsoft Office installed for each staff member. Although FundSense is used to process payroll and to print checks, a new financial system is contemplated. Staff process the payroll each week based on employee hours as shown on daily time sheets submitted by departments. Among office responsibilities, departmental turnovers are regularly received, sometimes without a turnover sheet; cash is reconciled monthly based on general ledger balances provided by the accountant; the cash book is maintained in hand written, bound book format; and, the debt schedule is maintained in an Excel spreadsheet. The treasurer communicates with a financial advisor several times a year.

Conclusion - Overall, the treasurer appears to have systems in place to ensure that the responsibilities of the office are fulfilled. As stated earlier in this report, we suggest shifting the payroll function to the accounting office to segregate the duties of a part-time employee. Beyond that, our recommendations are few and are designed to enhance efficiency and internal controls.

Recommendation 16: Convert to Electronic Cashbook

We recommend that the treasurer convert the cash book from a hand written ledger to a computer-based system. There are a number of advantages to keeping an automated versus a manual cash book. Instead of entering financial information by hand from an outside source, it can be imported. End of the month reconciliations will be faster since cash balances are available instantly at any point in time. Electronic data can be backed-up, stored and recovered in the case of disaster, whereas offices typically maintain only one hand written copy of data.

We suggest that the Tyngsborough treasurer follow the lead of most of her peers by setting-up and maintaining an electronic cash book in Quicken, in Quickbooks or in an Excel spreadsheet. Looking ahead, she can explore whether prospective financial management software under consideration by the town has a cash book option. Ultimately, she should use whatever format is most comfortable for her.

Recommendation 17: Implement Numbering System for Turnovers

We recommend that the treasurer modify the turnover of funds from town departments. Turnovers are received by the treasurer and assistant treasurer. Two original copies of the turnover sheet, one for the department and one for the town accountant, are maintained for record-keeping purposes in addition to the one that resides with the treasurer. However, the individual sheets are not numbered. We suggest, therefore, that turnover sheets be identified throughout the fiscal year, for example, as Collector's TO #23, or Selectmen's TO #5, etc. The use of chronologically numbered turnover sheets would help staff more easily track and account for departmental activity and would, as a result, improve internal controls. Under no circumstance should the treasurer's office accept a departmental turnover without an accompanying turnover sheet.

Recommendation 18: Work with Banks to Establish Sub-Accounts for Trusts and Other Funds

We recommend that the treasurer work with the town's banks to establish a single account with sub-accounts for the purpose of applying interest to trust funds. To better organize and account for interest due multiple trusts funds, communities are more frequently establishing general municipal trust accounts with sub-accounts. Instead of staff calculating the interest earned for the month or quarter, and allocating the same to the individual trust accounts, the bank automatically performs this function. The treasurer needs only to report the amounts to the accountant. Consolidated monthly statements will still provide details on monthly deposits, withdrawals, transfers, and earnings for each separate trust. The sub-account approach may also reduce the time required to reconcile cash with the accountant at the end of the month.

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 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 Tyngsborough accountant is a full-time position appointed by the selectmen. She maintains the general ledger using the Uniform Massachusetts Accounting System (UMAS) which is the universally accepted standard for municipalities. The assistant accountant/treasurer's clerk is a part-time staff person who works 7.5 hours under the direction of the accountant and 12.5 hours as the treasurer's clerk. The accountant has a private office while the desk of the assistant accountant/treasurer's clerk is in a shared space with staff from the other financial offices. Both have a desktop computer with Microsoft Office installed. Also installed on both computers is the FundSense financial software, which includes the town's general ledger. However, the accountant is planning to implement a new financial system by January 2009 in advance of the expiration of Tyngsborough's FundSense license.

Reconciliations occur monthly, as recommended, and departments are receiving monthly budget reports, as required by statute. The accountant works with the chief assessor on the annual Tax Recap sheet and provides financial data to boards and committees as part of the budget process. She maintains a debt schedule and uses departmental turnover sheets to confirm receipts as reported by the treasurer.

Conclusion – The town accountant performs her duties in conformance with professional standards and Massachusetts General Laws. Despite limited resources, tasks are performed accurately and timely. To assist her moving forward, she needs a more versatile, vendor supported, financial system. Our recommendations are designed to advise the town on appropriate features one would expect from a software package and to encourage additional control over posting procedures.

Recommendation 19: Consider Features of New Financial Software

We recommend that the accountant assist in the development of specifications for a new software package. As part of such specifications, we encourage her to explore a payroll module option. It is our assessment that the current payroll process requires too much re-keying of data. A financial system should be configured in such a way as to allow employee hours to be reported on an exception basis – i.e. data entry would only reflect an exception to coded information on an employee’s normal work week. The module should also have the capacity to track employees’ sick leave and vacation time balances.

The new software package should provide standard, or “canned,” reports. Communities often use standardized reporting features to provide year-to-date budget printouts, account activity reports and budget development worksheets. In addition, the software should provide password restrictions that control appropriate access to various financial officers.

A new financial system should include a contract that provides for adequate vendor support that will ensure problems are fixed in a timely manner. Still more advanced packages allow the support team to dial-in remotely to trouble-shoot system problems.

Finally, the town should keep in mind that financial systems can be expensive. Regardless of the town’s assessment of its software needs and the prices submitted by vendors, the purchase of major software should be incorporated into a capital improvement plan. The town will have the option of paying for its financial software through a direct dollar outlay appropriated in the budget, or the cost can be bonded for up to 10 years under M.G.L. c. 44, §7 (28).

Recommendation 20: Restrict Access to Accountant’s Records

We recommend that only the town accountant post financial information to the general ledger and other financial records. Currently, payroll and vendor payments are posted directly to the accountant’s general ledger by the assistant town accountant. Because she also works part-time for the treasurer’s office, this practice gives the appearance of conflicts with M.G.L. c. 41, §§ 56 and 57, which give the town accountant exclusive responsibility for approving payments, maintaining the town’s official books of accounts and controlling financial records. As a financial control, other statutes specify that an accountant cannot simultaneously serve as a treasurer.

Others can continue to enter data, but to at least avoid the appearance of impropriety, we recommend that only the accountant have authority to post changes or updates to the general ledger. To implement this safeguard, the new financial system should be programmed to place a “hold” on the data being entered by other staff members. As a check and balance, the accountant should then compare the entries appearing on the computer (in a hold) to the corresponding amounts on warrants and other source documents before actually posting to the general ledger.

Collector

A municipality's collector possesses the authority to collect all monies due the community including taxes, excises, betterments and certain other charges under M.G.L. c. 41, §38A. Collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Credit reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days. In most communities, the collector manages the contractual agreement with the deputy collector.

Tyngsborough's collector - a town collector - has held office for 15 years. He oversees a staff of two which consists of a full-time assistant collector and a part-time clerk. The collector has an office while the assistant and clerk work in an open area alongside other town financial staff. The payment window is also located in this space. The office is equipped with desktop computers with Microsoft Office installed for each staff member. The collector's office uses the Point software package to upload commitments from the assessor's office and post real estate, personal property, motor vehicle excise and other payments against the receivable control. Payments are taken in person at the collector's window, via US mail, and online (Unipay). The collector also utilizes the services of a deputy collector (Kelley and Ryan).

Conclusion – Overall, the collector appears to have systems in place to ensure that the responsibilities of the office are fulfilled. Furthermore, the collector and his assistant are experienced, competent and run an efficient operation. However, looking long-term, we can envision the election of a town collector to be a structural weakness, and an obstacle to accountability in government.

Recommendation 21: Convert Collector from Elected to Appointed

We recommend that the town convert the office of town collector to an appointed position. The town's current, elected collector is experienced and performs the duties of the position well. However, should he resign or choose to not pursue reelection, there is no guarantee that those possessing the necessary knowledge and capabilities will, in the end, seek and win election.

Our recommendation is also based on observing a clear trend that has emerged among Massachusetts communities in favor of appointed positions. This trend has come about 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.

Often mentioned is the prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, such as the collector, treasurer, accountant, chief assessor, etc., should be appointed. Some municipalities see value in placing all town hall positions on equal footing and subjecting them to the same review structure.

Under the provisions of M.G.L. c. 41, §1B, the collector can be changed from elected to appointed by majority vote of town meeting and subsequent acceptance by the voters at a town election.

Recommendation 22: Discontinue Collection of Inspectional Receipts

We recommend that any department that turns over receipts to the collector's office should, instead, turn over receipts to the treasurer. We are aware that the inspectional departments, and perhaps other departments, turn over permit fees to the collector. Although a town collector can receive over-the-counter payment of any town receipts, this authority is not intended to include receiving monies already taken-in by other departments. Under M.G.L. c. 44, §53, all revenue received by any municipal official or department must be turned-over directly to the treasurer, not to the collector. Present practice creates an additional step and unnecessary work for the collector's staff. If corrected, no greater burden should be imposed on the treasurer's staff.

Recommendation 23: Make Deposits to Treasurer's Account

We recommend that the collector deposit all receipts into an account maintained by the treasurer. Currently, tax, excise, and other payments received by the collector are deposited into a bank account he maintains, but on a joint basis with treasurer. Turnovers to the treasurer occur periodically, and several times during the year, the treasurer, upon agreement with the collector, transfers money to an account she maintains. We understand why these transfers occur, but regard it as a practice that deviates from the norm. We recommend instead that the tax collector make deposits directly into an interest bearing bank account under the control of the treasurer. As deposits occur, the tax collector would continue to prepare and deliver a departmental turnover sheet to the treasurer, with an attached copy of the deposit slip. The collector would retain a copy of the turnover sheet and provide one to the accountant, as required by law. As a result, deposits made directly to the treasurer's account immediately begin to earn interest, both the treasurer and the accountant's records will accurately reflect the town's cash standing, and rather than reconciling bank accounts, the collector can focus on reconciliation of the receivable control. As a practical matter, we understand that collectors sometimes choose to receive funds into their bank accounts to guard against bounced checks. However, the treasurer already monitors for insufficient funds among checks received in other department turnovers, so performing the same function relative to collector receipts should not be a problem.

Assessors

The assessors' office is responsible for valuing all real and personal property in the town, assigning tax payments to owners, and generating the commitment authorizing the treasurer/collector to collect real and personal property tax and motor vehicle excise payments.

To ensure that residents are taxed equitably and accurately, the office maintains and updates property records with information received from deeds and through the on-site inspection of sale properties, data from properties where a building permit has been issued, and in response to mailings. Additional information is gathered during an on-going property measure and list program. Assessors act on and track exemption and property tax abatement applications. They estimate new growth and make recommendations to the select board at the annual classification hearing. The assessors calculate the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to document an annual interim year adjustment analysis and to prepare for State certification of property values every three years.

In Tyngsborough, the assessing department is overseen by a three member, elected board of assessors. On a daily basis, the office is managed by the chief assessor, who is an experienced professional appointed by the board. There is also an assessors secretary who handles the clerical duties of the office and provides customer assistance. The department has a three-year, \$210,000 contract with Patriot Properties to conduct cyclical inspections, collect data and provide other valuation assistance. The chief assessor uses the Patriot software package to track real estate and personal property accounts and the Point software for motor vehicle excise accounts. The board meets, as needed, or about once each month to review and approve exemption and abatement applications and to sign commitments and departmental payroll/vendor warrants.

The volume of work in the assessing department involves 3,785 residential real estate parcels, 319 commercial/industrial accounts and 485 vacant and other parcels. In addition, there are approximately 250 personal property accounts. The town bills on a quarterly basis. There are over 11,000 motor vehicles yielding \$1.4 million in excise revenue for FY2007.

Conclusion – Most of the field work, or property inspections, required of assessors is handled by outside consultants. Despite her desire to be in the field, the chief assessor has limited opportunities due to the administrative demands of managing the office. In response, our recommendations are designed to increase the capacity of the office to allow greater time for inspections and other appraisal activities. We also see an opportunity to foster greater accountability of the office to a central administrative authority.

Recommendation 24: Explore Ways to Enhance Internal Capacity

We recommend that the town consider bringing more appraisal activities in-house. An increasing number Massachusetts cities and towns are moving toward performing assessing tasks in-house and generally elevating office professionalism. One way to achieve greater capacity would be to hire an additional staff member, in the form of a data collector/analyst. The employment of a data collector or assessing analyst would enable the chief assessor to delegate property inspections and reassign other work currently performed by consultants. This would enable the chief assessor to focus her efforts on reviewing sales, completion of analyses, and other analytical work.

It would be useful to evaluate and compare the costs and benefits associated with contracting-out for data collection services with those of adding a new staff person. To be worthwhile, however, the town must commit to fund the new position at a level that will attract candidates with the skills and experience requisite to the job.

Recommendation 25: Convert from Elected to Appointed Board of Assessors

We recommend that the town convert the board of assessors from an elected to an appointed board. Assessing offices throughout Massachusetts vary in how the workload is allocated among the assessing board, in-house staff, and outside consultants. Regardless of size, however, fundamental duties and responsibilities must be accounted for and carried-out effectively to preserve public confidence that the system of taxation is consistent and equitable. In Tyngsborough, the day-to-day activities of the assessors office have been delegated to professional staff and consultants, led by the chief assessor. The board meets, only as needed, primarily to approve or reject abatement and exemption requests. On balance, the duties and responsibilities of the assessors' office are not policy oriented, but ministerial and carried out in accordance with laws and regulations. As such, we recommend that the town would be served best if members of the board of assessors were appointed, rather than elected.

Recommendation 26: Implement a Geographic Information System (GIS)

We recommend that the town invest in implementing Geographic Information System (GIS) technology in the assessing office. GIS is a powerful tool that provides town governments in general, and assessors in particular, a convenient and effective way to extract property data and statistics. A GIS system can be used to electronically display the physical layout of parcels and structures on property record cards. It can also expedite the production of abutters' lists when needed. Having an automated GIS system can also provide additional information to the public via on-line databases, which may further reduce foot-traffic in the office.

Tax maps maintained as part of GIS are more easily updated, organized and shared across various departments. GIS improves the quality of valuations since it not only accesses specific parcel queries immediately but also makes available related information previously kept in separate databases. By querying GIS, the assessor can identify all properties with similar use codes, sizes, locations or other features that affect value in a specified area.

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