

TOWN OF UXBRIDGE

FINANCIAL MANAGEMENT REVIEW UPDATE

JUNE 2021



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114

www.mass.gov/dls

Theo Kalivas, Project Manager

Melinda Ordway, Senior Project Manager



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

June 7, 2021

Board of Selectmen
Town of Uxbridge
21 South Main Street
Uxbridge, MA 01569

Dear Board Members,

I am pleased to present this financial management review update for the Town of Uxbridge as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

TABLE OF CONTENTS

INTRODUCTION	1
REVIEW OF PRIOR RECOMMENDATIONS	3
NEW RECOMMENDATIONS	7
Audit Corrective Action Plan	7
Strategize for Succession Planning	7
ACKNOWLEDGEMENTS	8

INTRODUCTION

At the Select Board's request, the Division of Local Services' Technical Assistance Bureau assessed Uxbridge's progress in implementing recommendations from our 2008 Financial Management Review. As part of this update, we conducted interviews with the select board chair, finance committee chair, town manager, town accountant, assessor, and treasurer/collector. We also reviewed various documents, including town bylaws, financial policies, warrant articles, available financial and single audit reports, tax recapitulation sheets, and other financial records.

Since 2008, the town's financial management offices have experienced significant turnover in critical positions. There have been six town managers, four assessors, five treasurer/collectors, and four accountants. These changes in administrative and financial officers have made it difficult to establish clear lines of accountability and develop consistent practices and procedures that safeguard the integrity of financial transactions. Compounding this situation, a former accountant has been indicted by two statewide Grand Juries for allegedly embezzling more than \$931,000. The charges resulted from a joint investigation by the Massachusetts Office of the Inspector General and the Massachusetts Attorney General's Office. He is accused of submitting and approving false invoices for services not provided and of diverting funds to his private business between December 2012 and June 2018 while serving as Uxbridge's town accountant. During this time he was also providing contract accounting and financial services to at least four other communities.

Consequently, the town had problems keeping its financial records current, closing its books, and meeting financial reporting requirements in a timely manner. Prior to FY2017, the accountant generally submitted the balance sheet for free cash certification in the fall. However, when the Bureau of Accounts (BOA) instituted a standardized free cash template and required the financial management system's closed trial balance reports, Uxbridge's submissions were delayed to May in both FY2017 and FY2018. The Schedule A end of year reports had been filed annually with BOA after the October 31st due date, but the FY2016-FY2018 filings contained errors that required multiple re-submissions.

In addition, because Uxbridge expends more than \$750,000 of federal assistance, it is required to have independent audits completed with financial statements and Single Audit compliance report that have been completed after the March 31st due date for years. The town's FY2016 audit was almost a year and a half late in September 2019. Then during the FY2017 audit process in early 2019 numerous possible financial irregularities were discovered, prompting the auditors to contact state authorities. Based upon the town's inability to provide its audited financial statements, Moody's Investors Service withdrew the town's credit rating in August 2018 and Standard & Poor's (S&P) initially placed Uxbridge's AA+ long-term rating on CreditWatch with negative implications in

December 2018 and subsequently suspended it in June 2019. Without a bond rating, the town cannot borrow money.

Fortunately, the town seems to be on track to recover from its past stumbles. Officials are working together to address past deficiencies and, to the extent legally possible, keeping taxpayers informed of the pending litigation against the former accountant. Initially, the town employed consultants to serve in the capacity of treasurer/collector and town accountant, performing those offices' daily activities while simultaneously addressing backlogs, until permanent replacements were hired. The FY2017 and FY2018 audits were eventually completed on October 29th, 2019, the FY2019 audit was finalized in October 2020, and the FY2020 audit is nearly complete. Standard & Poor's reinstated the town's credit rating at a lower AA in December 2019 once late audits were completed and reasonable assurances that things were back on track.

The town hired the current town manager, treasurer/collector, accountant, and assessor in the last two years. This new group has brought with them a change in culture in the form of a team approach that has provided a stable, clear direction moving forward. The accounting department has adopted best practices such as department head approval and backup source documentation for all transactions, is recording complete, accurate, and timely general ledger journal entries, and has implemented segregation of duties among staff. In the treasurer/collector's office the cash book is current, cash and receivable reconciliations are done monthly and approved by the town manager, and regular reports are issued. Finance department heads are working together to implement corrective action plans that address inherited audit material weaknesses and significant deficiencies. The assessor is the most recent hire and is reviewing office procedures, internal staffing and workload, use of contractors, and compliance with Bureau of Local Assessment directives. Based on his review, he will discuss the results with the town manager. Uxbridge's financial team meets regularly throughout the year and provides support to the town manager in the budget process.

We are encouraged by the progress made over the last two years to reestablish controls and bring confidence in Uxbridge's financial management. In this report, we review the progress of our 2008 FMR recommendations and provide some next steps for the town to follow in the future. We found that Uxbridge has, for the most part, completed the changes called for in our original report or is in the process of doing so. For each recommendation, we comment on whether the issue was addressed and provide its current status, as well as additional steps or enhancements to consider. Of note, we found that some procedural redundancies identified in the Treasurer/Collector's office remain, specifically with regard to posting and reconciling collections receipts. While the Treasurer/Collector's operations generally run smoothly, adhering to our recommendations (as outlined below) would improve efficiency.

REVIEW OF PRIOR RECOMMENDATIONS

Recommendation	Status	Comments	Enhancements/ Next Steps
1. Adopt Reserve Policies	Complete	<ul style="list-style-type: none"> • Uxbridge’s “Financial Management Policy and Objectives” was adopted by the select board in November 2018. • The reserve policy sets a minimum balance for the stabilization fund of 5% of the annual town budget or \$2.5M, whichever is greater. It also sets parameters for use of reserves (such as emergency/unforeseen circumstances, public health and safety needs, debt, and capital purchases) and includes a provision to replenish the fund at the next town meeting after an expenditure. 	<ul style="list-style-type: none"> • Recommend developing a comprehensive financial policy manual <ul style="list-style-type: none"> ○ Codify robust control measures in Antifraud, Disbursements, Revenue Turnover, and Reconciliations policies ○ Complement the finance staff’s effort at developing and maintaining stronger internal control practices with checks and balances ○ Review policy manuals available on DLS website under Technical Assistance Projects for guidance
2. Consider Special Purpose Stabilization Funds for Capital Needs	Complete	<ul style="list-style-type: none"> • The town has a capital improvement stabilization fund established by special act (c. 81 Acts of 2002) and opted not to create special stabilization funds for particular areas of capital spending. • Per the town’s reserve policy, after the stabilization fund has been funded at its target goal, any remaining balance of free cash is transferred to the capital improvement stabilization fund. • As of the October 2020 special town meeting vote, 50% of cannabis receipts are dedicated to the capital improvement stabilization fund. 	
3. Formulate OPEB Liability Policy	Complete	<ul style="list-style-type: none"> • The town established an OPEB fund in FY2015 and reaccepted MGL c. 32, § 20 to establish a Governmental Accounting Standards Board (GASB) compliant OPEB trust fund and designate the treasurer as its trustee. • The town has an actuarial analysis of the town’s OPEB liability every two years. 	<ul style="list-style-type: none"> • Consider further improvements with the establishment of a formal OPEB policy and integrate it with the rest of the town’s financial policies.

		<ul style="list-style-type: none"> While the town has appropriated funds from time to time, Uxbridge has a special act, c. 7 Acts of 2020, that requires the deposit of all local meals tax to the OPEB trust fund. 	
4. Evaluate Participation in the state's Group Insurance Commission	Ongoing	<ul style="list-style-type: none"> The town has evaluated joining the GIC and has opted not to. The town went out to bid and the Insurance Advisory Committee is evaluating two health insurance proposals with the hopes of maintaining services and provide savings for members and the town. 	<ul style="list-style-type: none"> Periodically review health insurance costs to determine if there are cost benefits from joining the GIC.
5. Require Retirees to Enroll in Medicare	Complete	<ul style="list-style-type: none"> The town had accepted the statute in May 2009. 	
6. Have Employees Sign E-mail and Internet Policies	Complete	<ul style="list-style-type: none"> Uxbridge adopted an email and internet policy in 2019 and requires employees, volunteers, officials, board members and contractors to sign a Consent Form on Use of Email, Internet, and other Electronic Systems. 	
7. Expand GIS Use	Complete	<ul style="list-style-type: none"> The town now makes good use of GIS software. The Assessor's department administers the software and interacts with the vendor, and the public works and conservation departments are also frequent users. GIS is available to residents via the assessing department website, where visitors can access abutters lists and look up flood map, FMEA, wetland, zoning, and assessment-related information on a specific parcel. 	
8. Eliminate Redundancies (collecting, posting, deposit procedure)	Not Complete	<ul style="list-style-type: none"> FMR noted that the assistant collector runs separate adding machine tapes on collected bills and the accompanying cash and checks, in addition to entering them into VADAR. Similarly, she runs a second tape on bills paid in cash, leaving one with the treasurer/collector's records and the other attached to the deposit. 	<ul style="list-style-type: none"> Work with the assistant collector to eliminate redundant processes by using the Vadar system reports and Excel spreadsheets to document collections and prepare deposits.

		<ul style="list-style-type: none"> • While the recommendation was intended to streamline collection, posting and deposit procedures, the assistant collector continues to run the time-consuming, duplicate adding machine tapes. • It is the treasurer's expectation that the town's new lockbox service will reduce the volume of bills subject to the redundant process. 	
9. Adopt MGL Chapter 60 §23B	No Longer Applicable	<ul style="list-style-type: none"> • It was recommended that Uxbridge adopt MGL c. 60, §23B that would enable the collector to charge more than the standard \$25 municipal lien certificate fee for different classes of property, but the town decided against that action. • Instead, because Uxbridge has adopted MGL c. 40, §22F, the town set a reasonable MLC fee that is not in excess of the costs of preparing and providing lien certificates, following legal advice of their tax title attorney and DLS' Bureau of Municipal Finance Law. 	
10. Improve Collection Control (add cash drawers specific to clerks)	In Progress	<ul style="list-style-type: none"> • FMR called for separate cash drawers assigned to each clerk at window duty. <p>No separate drawers at present but treasurer/collector is considering a system of linking a cash drawer to an employee's shift.</p>	<ul style="list-style-type: none"> • Investigate how best to implement assigned cash drawers for each clerk or other equivalent control.
11. Schedule Billings	Complete	<ul style="list-style-type: none"> • As recommended in the FMR, the treasurer/collector strategizes with the assistant collector before each billing cycle so the workload in the office is balanced. 	
12. Consider a Lockbox Service	Complete	<ul style="list-style-type: none"> • The new treasurer/collector has finalized a lockbox agreement with Century Bank. It is set to go live July 1st, 2021. 	
13. Require Direct Deposit	Complete	<ul style="list-style-type: none"> • With the exception of one employee, all town and school employees are on direct deposit. 	
14. Institute a Bi-Weekly Payroll System (for town employees)	Not Complete	<ul style="list-style-type: none"> • School payroll is bi-weekly. • Town payroll frequency is subject to collective bargaining. 	<ul style="list-style-type: none"> • Continue to make bi-weekly pay a priority during collective bargaining negotiations.

15. Consider Hiring Data Collector (Assessing)	In Progress	<ul style="list-style-type: none"> • FMR called for hiring a data collector in light of that position being cut after 2008 recession. • Assessor is in process of evaluating department needs and plans to put together a proposal for hiring a data collector. 	<ul style="list-style-type: none"> • Provide the town manager with proposal to address the department needs in the next budget.
16. Make Forms Available on Town Website	Complete	<ul style="list-style-type: none"> • The assessing department has forms available on its website for abutters lists, MVE abatement, real and personal property abatement, change of address, chapter land, and exemptions. 	
17. Close Assessing Office to the Public	No Longer Applicable	<ul style="list-style-type: none"> • The FMR recommended closing the office to the public once a week to allow staff to leave and conduct inspections, since the town was behind on its cyclical reinspection work. • The current assessor has made steady progress in bringing the town closer to its cyclical inspection goals and, according to the town's BLA representative, is moving the department along well with regard to completing BLA directives. Periodically closing the department to the public is no longer necessary. 	

NEW RECOMMENDATIONS

Audit Corrective Action Plan

Given the town's recent history with completing audits on time, we recommend creating a process to routinely review, discuss, determine priority, and correct any deficiencies uncovered by an audit. If an audit uncovers deficiencies, we recommend that the town manager formulate a corrective action plan to address any weaknesses, findings, and recommendations identified within the independent auditor's management letter. Such a plan would indicate what steps will be taken, who will be responsible for them, and when the action will be completed. While corrective action is in progress, the town manager should regularly keep the board of selectmen informed on progress made. Addressing management letter findings can help improve the town's financial controls and practices and improve public confidence in government.

Strategize for Succession Planning

While Uxbridge has managed to fill vacancies in its finance departments with well-qualified and capable personnel, the town has seen firsthand the difficulties that arise when finance officers depart suddenly. The town should take advantage of its strong leadership to prepare a succession plan and ensure a smooth transition and continuance of service in the case of unexpected vacancies.

We recommend the town manager meet with department heads to develop succession strategies on how to fill future vacancies due to turnover and retirements. Together, they should discuss and gather information about each role's core functions and legal responsibilities. This would include the position's job description, classification and grade, hours assigned, and any documented procedures.

In addition, we suggest they take the following steps, as appropriate to each position:

- Develop procedure manuals with step-by-step instructions starting with the most critical tasks. For propriety software systems, reach out to vendors to see what material they can supply and the training sessions they can offer at what costs.
- Identify town employees with the skills, aptitudes, and interest in being promoted, including those who might currently work in other departments. Systematically develop the person's knowledge and competencies through mentoring, funding training opportunities, setting up job shadowing practices, and delegating increasing responsibilities within their departments.
- When informed of a pending departure, ensure time overlap if possible so that the departing employee can help orient and train his or her replacement.

ACKNOWLEDGEMENTS

In preparing this review, DLS spoke with the following persons:

Brian Butler, Board of Selectmen Chair

Peter DeMers, Finance Committee Chair

Steven Sette, Town Manager

Michelle Laramee, Town Accountant

Lisa M Troast, Treasurer/Collector

Kenneth M. O'Brien, Assessor