



Town of Wareham

# Financial Management Review

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Division of Local Services / Technical Assistance Section

June 2010

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## Overview

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At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) completed this financial management review for the Town of Wareham. This is the second financial management review completed by DLS for the town within the last ten years.

Based on interviews with local officials, information gathered during on-site visits and using our prior report to benchmark progress, the challenges facing Wareham today are twofold. First, the community is struggling under the same difficult economic conditions facing cities and towns across the Commonwealth, which have affected the ability of local leaders to adequately fund government. Second, as a result of continued turnover in the town administrator's position, continuity of leadership and management has been missing. It appears that this circumstance has caused the selectmen and the finance committee to extend, perhaps by necessity, their involvement in municipal government beyond traditional roles.

In this context, the findings and recommendations that follow are intended to address immediate concerns and those attributed to past financial management practices.

The Town of Wareham is located in southeastern Massachusetts approximately 50 miles from Boston and 40 miles from Providence, RI. Situated at the head of Buzzards Bay, the town is characterized by its 54 miles of coastline and the numerous working cranberry bogs that dot the interior landscape. As of 2008, the town had an estimated year-round population of 21,221, although this fluctuates significantly with the influx of second homeowners and vacationers during the summer months. A measure of relative community wealth, the town's equalized valuation (EQV) per capita of \$198,695 is higher than the Plymouth County average of \$184,585, while the town income per capita of \$22,870 is lower than the county average of \$26,643. The relatively high EQV per capita reflects the disproportionate influence of high-end properties along the waterfront while the relatively low income is more indicative of the year-round population. A comparison of Wareham to other communities across Plymouth County and Massachusetts is included in the Appendix.

Wareham has not been immune to the current recession. As illustrated in the Appendix, property values have declined and unemployment remains high. Municipal revenue sources remain flat or are in decline, while operating costs continue to climb and reserve levels weaken. Between FY2009 and FY2010 alone, Wareham experienced a year-over-year reduction in available funds of nearly \$1 million. Although there are signs that the state recession is beginning to moderate, there is a long road to recovery.

To combat these extraordinary economic challenges, the selectmen adopted a "Fiscal Recovery Program" in mid-year to stabilize town finances and help balance the budget. The program included department budget cuts, ten mandatory furloughs days for all employees, and five layoffs. At the same time, they have pursued ways to deliver services more effectively and efficiently. Articulated in the new town administrator's FY2011 budget message, these actions included upgrading the town's financial management system (VADAR), streamlining various processes and procedures, reorganizing town departments, and establishing financial planning practices, among others.

Despite efforts to cope with this period of depressed economic activity, the town's financial condition has only worsened. Wareham's FY2011 budget (\$58,958,893) passed by town meeting this

spring is less than a one percent increase over FY2010 spending level (\$58,547,153). This budget, however, may not be in balance because local officials relied on the local aid estimates contained in the Governor's Budget (House 2) even though the House Ways & Means budget, which included a local aid reduction, had been released. As a result, the necessity to call a special town meeting in the fall, after the fiscal year has begun, will likely arise, which is a practice that should be discouraged. As it stands today, Wareham's budget may be more than \$500,000 out of balance, based on local aid estimates of the FY2011 House final budget.

These fiscal and economic issues will continue to strain the town's financial flexibility and limit the resources available to invest in government. Ultimately, however, success in Wareham will be measured by the ability of local officials to establish goals and work together to achieve them.

Open town meeting and a five-member board of selectmen govern Wareham. Appointed by the selectmen, a town administrator manages day-to-day operations. It is our opinion that one of the greatest impediments to success in Wareham has been the turnover in the town administrator's position. Since 2000, seven individuals have held the position. The lack of continuity in the administrator's position has been particularly detrimental because of the authority attributed to the position and its intended impact on the operation of government. When the position is vacant, the absence of consistent leadership makes resolving issues more difficult. It also creates a management vacuum causing lines of responsibility for day-to-day operations to blur.

Contributing to the lack of consistent financial management leadership was the six-month vacancy in the town accountant's position. From January 2009 to July 2009, only basic accounting activities were completed. During this period, the town employed the services of Financial Advisory Associates (FAA) to perform essential day-to-day activities, but no real policy or analytical support was available.

With the hiring of a new town administrator this past December and a permanent town accountant last summer, town officials are optimistic that the town will get back on track. However, problems remain. In a letter dated April 2010 to the town administrator, the DOR's Director of Accounts was critical of the town's financial practices. Specifically, he urged local officials to resolve outstanding financial management concerns and imposed conditions for setting next year's tax rate.

Conclusion – Our previous report, delivered in March 2001, recognized that with the selection of a new town administrator that there was an opportunity for Wareham to establish a consensus on goals and town priorities and to clarify expectations relative to the performance of duties. Success, it concluded, would depend upon a willingness of local officials to engage in regular and open communication.

In our current assessment, we come to the same conclusions. Setting aside ongoing economic concerns, Wareham again has the opportunity to build consensus on a set of goals that establish a clear direction for the town. With a new town administrator and a new town accountant, success is again reliant upon the ability of local officials to communicate with one another, agree to common goals and work together to achieve them. A team approach will require coordinating the efforts of numerous municipal boards, committees and staff. It will require the clarification of responsibilities and the establishment of job expectations. It is also important that local officials, including members of the board of selectmen, finance committee and others, consider how their roles should change as the tenure

of a new town administrator begins. In particular, though they may have felt compelled and justified to act in the past, it may be time to step back.

In the wake of the Director of Account's April 2010 letter, the town administrator and the finance officers need to move forward with a clear purpose. In the near-term, decisions are needed to balance the budget and, longer-term, action is needed to develop realistic revenue estimates and control operating expenses. In addition, decision-makers need the discipline to adhere to already established fiscal guidelines that encourage generating free cash and building reserves. Local officials should also continue efforts to develop a comprehensive capital-planning program, and address concerns relative to the water pollution control facility, which has become overly reliant on one-time revenues and operates with a structural budget deficit.

The review that follows speaks to these conclusions and offers a series of recommendations that will enhance the town's overall financial management performance. These opportunities, coupled with findings more specific to the offices of technology, accountant, treasurer/collector, and assessor, will improve the town's ability to operate efficiently and effectively.

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## Resolve DOR Financial Management Concerns

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In April 2010, the DOR's Director of Accounts sent a letter to the Town of Wareham pertaining to matters of financial management concern. Specifically, local officials were urged to resolve outstanding issues related to appropriation deficits, revolving fund authorizations, and community preservation committee activities (CPC). In addition, local officials were cautioned about appropriating amounts in excess of available funds. The Director has also required the town to submit its balance sheet for the close of FY2010, and to have free cash certified prior to approval of the FY2011 tax rate. The town must also raise all deficits disclosed in the balance sheet in next year's tax rate. Below, we provide a series of recommendations that address the deficiencies in Wareham's ongoing financial management identified by Director.

### 1. Prevent Appropriation Deficits

Overspending by departments in FY2009 created \$20,850 in illegal deficits that were subsequently raised in the FY2010 tax levy. A further review of the FY2009 balance sheet and supporting documentation submitted to DOR revealed additional appropriation deficits of \$202,370 in 12 separate accounts. These should also have been raised in the FY2010 tax levy, but since the FY2010 tax rate had already been set, this amount will be raised in the FY2011 levy. The effect is a reduction in available revenue and an unanticipated amount to be raised in FY2011.

It is each department manager's responsibility to operate within his or her budget. Checks and balances occur when the accountant reviews invoices for payment and when the town administrator and accountant review monthly expenditure reports. If a proposed departmental expenditure will result in an illegal appropriation deficit, the accountant should not approve the payment. She should first contact the department manager who submitted the invoice to discuss the issue. If it remains unresolved, the matter should be placed before the town administrator.

The town administrator and the accountant, as well as department managers, should routinely monitor monthly expenditure reports and take note whenever an account balance appears unusually low. Department heads should also be directed to maintain an independent log of expenditures, which they should reconcile with entries on expenditure reports they receive from the accountant each month.

### 2. Verify Revolving Fund Authorizations

In FY2010, the town authorized revolving fund spending in excess of limits imposed by law. Under M.G.L. c. 44, §53E½, each departmental revolving fund spending limit cannot exceed one percent of the prior fiscal year's tax levy. Wareham's FY2009 tax levy was \$28,727,173 and 1 percent was \$287,271. However, town meeting approved a \$410,000 council on aging revolving fund (COA Transportation \$210,000 and COA Senior Daycare \$200,000) and two revolving funds totaling \$695,000 by the school department (\$195,000 for an all day kindergarten program and \$500,000 for special education programs).

Also, proper accounting practices under school finance regulations dictate that special education circuit breaker reimbursements paid to the community should be deposited into a special revenue fund, and not a revolving fund as they are in Wareham. To be in compliance, local officials should review recent amendments to Department of Elementary & Secondary Education regulations on the [Circuit Breaker Reimbursement Program](#) along with the DOR Bulletin 2004-06B - [Accounting for Special Education Circuit Breaker Funds](#).

Prior to considering revolving funds for authorization by town meeting, officials in Wareham need to refer to the statutes to determine: whether requirements exist for local acceptance or other town meeting action; what sort of activities may be financed through the revolving fund; to what extent salaries or capital items can be covered by the fund revenue; and that the amounts to be authorized are not in excess of statutory limits.

### 3. Complete Realistic CPA Revenue Estimates

Wareham's FY2010 tax recap identifies estimated CPA local surcharge revenues that were \$127,810 higher than the actual revenue generated in FY2009 (FY2009 actual: \$576,422; FY2010 estimated: \$704,232). This raised concerns about the overestimate of available revenues, and the Director advised local officials to monitor and adjust revenues prior to the close of the fiscal year in order to avoid revenue deficits.

Moving forward, we recommend that the town accountant and director of assessment, working in close collaboration with the community preservation committee, develop a realistic revenue estimate for the ensuing fiscal year. The initial steps should be started early in the budget process and incorporated into budget guidelines provided to the community preservation committee. Overall, projections should be conservative. The assessor can calculate revenue generated from the annual three percent surcharge on real estate taxes for the upcoming fiscal year, as well as an estimate of abatements and exemptions. State matching funds can initially be based on the preliminary estimate provided by the DOR in October. Entitled "Community Preservation Act State Match" (available at [www.mass.gov/dls](http://www.mass.gov/dls)), the spreadsheet includes information and a general assumption of the percentage of state available matching funds from the state trust fund.

By the end of March, adjustments can be made. The DOR releases updated assumptions based on current trends, which is included as part of the Bureau of Accounts budget bulletin to local officials ([FY2011 Budget Issues and Procedures – Bulletin 2010-02B](#)). It should be noted that these estimates are subject to change depending on actual Registry of Deeds collections between March and September.

From this point through town meeting, officials can make further adjustments, but should attempt to hold firm on projections, which establish the amount available for CPC's recommendations to town meeting. If less state matching funds are available than projected, then budget reductions can be made in a fall town meeting. If more is realized, the excess may close to unreserved fund balance which will be available to the committee the following fiscal year. Policies dictating use of unreserved fund balances should also be in place.

For more information regarding CPA, we direct local officials to the DLS website ([www.mass.gov/dls](http://www.mass.gov/dls)) for official guidelines, updates and historic data. The Community Preservation



Coalition website ([www.communitypreservation.org](http://www.communitypreservation.org)) is also useful. A nonprofit organization, the coalition provides member communities with valuable information and technical assistance on a host of CPA related issues.

#### 4. Validate Proposed Sources and Uses of CPA Funds

After reviewing the FY2009 town meeting motions on CPA articles, DOR identified funding authorizations from FY2009 estimated revenues that occurred after the tax rate was set. According to CPA guidelines ([DOR Bulletin 2003-04B](#)) communities can only appropriate estimated annual revenues up until the time the tax rate is set for that year. In the future, we recommend that once the rate is set, new spending only come from fund reserves or by authorizing debt. Available reserves would include any fund balance as of 6/30 reported by the town accountant, special purpose reserves (open space, historic resources and community housing), and current year budgeted reserves.

Included in the Appendix are two tables. The first table identifies community preservation fund financing sources, while the second identifies allowable spending purposes. In addition, the Bureau of Accounts Field Representative to Wareham has prepared a spreadsheet to help the committee understand and organize the proposed sources and uses of CPA funds (included in the Appendix). For more information, we encourage local officials to review DOR guidelines and bulletins located at [www.mass.gov/dls](http://www.mass.gov/dls).

#### 5. Verify Amounts of Available Funds Prior to Appropriation

At a special district meeting in October 2009, local officials appropriated \$2,490 in excess of the amount of available funds within the harbor services account. We recommend that prior to appropriation, the town accountant verify that the amount being appropriated is actually available in a given fund. Use of funds in excess of what is available could jeopardize the setting of the tax rate.

#### 6. Complete a Plan to Close the Town's Books

Given a new accountant, local concerns about the accuracy of the town's chart of accounts and the extended absence of cash reconciliations, we would expect the Director of Account's letter of April 2010 to generate a sense of urgency among the selectmen, the town administrator and finance officers. Fundamental responsibility falls on the town accountant to close the town's books and produce a balance sheet at fiscal year-end. However, her ability to create and maintain up-to-date records depends, in part, on the completion of tasks by the treasurer/collector as well as her proficiency with the town's financial software. We suggest that these circumstances justify action by the town administrator to monitor progress of meeting the Director's requirements.

Appropriate for discussion at financial management team meetings. The town administrator will then be aware of any problems or obstacles and can act to overcome them. Once the books are closed, financial statements can be prepared for review by the independent auditor and submitted to DOR for certification of free cash.

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## Overall Financial Management

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A review of Wareham's overall financial management practices centers on the fiscal procedures in place that typically involve finance related departments, but impact town government as a whole. Accordingly, we examined the budget, financial forecasting, capital planning, and the accounts payable and receivable processes. We looked at financial policies, long-term planning and financial monitoring practices, as well as the effect the town's organizational structure has on government. We further reviewed the town's current operations in the context of best practices observed in other communities and recommended by the Division of Local Services (DLS). We also considered the roles, responsibilities, and working relationships among individuals together with the level of communication and cooperation that exists between decision-makers, managers and staff. 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.

### 7. Outline Formal Lines of Authority & Establish Roles and Expectations

Turnover in the town administrator position has had a far-reaching effect on the administration of town government over the last four years. Dissatisfaction with prior occupants of the position, for whatever reason, seems to have prompted the board of selectmen and the finance committee members to separately seek to take a greater role in town administration and financial matters than they might otherwise. This has caused roles to lose some degree of definition. Strained relationships with town administrators have prompted some to question the capabilities of staff as well. Insecurity and low staff morale has followed.

Good financial management requires coordinating the expertise and individual efforts of numerous municipal boards, committees and staff. To accomplish this team approach it is important that local officials appreciate and understand their role as it relates to other participants in municipal finance. Now, with a new town administrator the opportunity exists to confirm roles, relationships and expectations among all involved. In the paragraphs that follow we draw from DOR's [Guide to Financial Management for Town Officials](#) and Wareham's town charter to briefly describe the duties and responsibilities of the board of selectmen, finance committee and town administrator.

- *Board of Selectmen:* As the chief executive body, the board of selectmen should take an active and strong role in the financial management of the town. Beyond coordinating the general operations of town government, they should monitor the town's financial performance and participate in the budget process. To be successful, they need to educate themselves on matters of municipal finance. It is equally important that selectmen understand when to delegate responsibilities to the town administrator. In general, selectmen develop policy, while the town administrator manages operations. It is our expectation that with a new town administrator, selectmen will step back from being involved in day-to-day operations. To maintain lines of authority, board members should, in most instances, deal with staff or seek information through

the town administrator. The duties of selectmen are defined in the Massachusetts Municipal Association's Handbook for Massachusetts Selectmen.

- *Finance Committee*: Primarily responsible for submitting recommendations on the annual budget to town meeting, the finance committee role is advisory in nature. They are the fiscal watchdog for the town. They are not a policy setting committee, and should not be actively involved in management decisions or in the day-to-day administration of personnel. Like the selectmen, finance committee members should communicate with financial staff and other department heads through the town administrator. This is not intended to deny access, but to encourage communication and respect for the hierarchy that is necessary to an efficient municipal government. The finance committee can also serve as a resource by gathering information and completing analyses on matters of potential importance to the town. Again, any initiative in this regard should be coordinated with the town administrator to ensure agreement on town priorities and project goals. The duties of finance committee are defined in the Massachusetts Municipal Association's Finance Committee Handbook.
- *Town Administrator*: In Wareham, the town administrator has wide-ranging authority as defined in the town charter. Reporting to the board of selectmen, he supervises the day-to-day operation and activities of town departments. As the chief financial officer for the town, he is responsible for coordinating the annual budget process, and directs and monitors financial management activities. Among other things, he should keep both the board of selectmen and finance committee advised on the town's financial status, by reporting significant changes in revenue and expenditure projections, and updating them on important fiscal events. The town administrator should seek to build consensus and develop cooperation between and among the board of selectmen and finance committee.

Beyond clarifying these roles, Wareham could also benefit from systematic review of all staff responsibilities. The town administrator has already made progress in this direction by asking managers to define departmental goals and objectives as part of the budget process. A next step should seek to confirm what employees actually do and that all duties are accounted for and documented. When necessary, job descriptions for each position should be revised or developed and then reviewed by affected personnel and their department head. In particular, we encourage the town administrator to review personnel/human resource responsibilities that have been distributed amongst various staff. As an increasingly important role in town hall, it may be advantageous to channel these specific duties through one individual with the appropriate knowledge.

## 8. Formalize a Financial Management Team

Since arriving in Wareham, the town administrator has initiated weekly department head meetings and has also scheduled time throughout the week to meet individually with each department head. From our interviews with local officials, it appears these meetings are generally productive. We understand the rationale of frequent meetings early on in the town administrator's tenure.

However, we expect that over time as the town administrator becomes more knowledgeable of the particulars of Wareham government and more comfortable with those who report to him, meetings will be less frequent. We can envision individual meetings only with managers of the largest

departments or with others on an ad hoc basis to address specific issues of immediate importance. We can see department head meetings being shifted to a monthly schedule without losing value or productivity.

We recommend that financial management team meetings be added to a monthly schedule. A financial management team would normally comprise the director of assessing, treasurer/collector, town accountant, systems manager, together with a representative from the school business office. Topics of discussion would include progress on projects like submissions to DOR or other financial analyses, inter-office cooperation, technology issues, anticipated fiscal events and general problem solving. Team meetings have proven to be worthwhile as a vehicle for communication and facilitate ongoing financial planning and decision-making.

## 9. Adhere to Fiscal Policy Guidelines

Although, in the past, selectmen in Wareham developed a strategy to strengthen overall financial management practices in the town, it appears to have been abandoned. Primary among the objectives outlined within this strategy were the following.

- Develop and maintain a plan which identifies realistic revenue projections and expenditure trends
- Develop and maintain a capital improvement program which aggressively seeks to prevent the deterioration of the town's infrastructure, and equipment
- Maintain enterprise activities on a fully self-supporting basis
- Maintain annual general fund capital program financing at a target range of 5 to 6 percent of current revenues (including debt service)
- Maintain adequate emergency reserves in the general fund by seeking to maintain a stabilization fund equivalent to 5 percent of annual revenues

We encourage the selectmen, finance committee and town administrator to return to these basic principles. In a series of recommendations that follow, we comment specifically on the need to build a comprehensive capital-planning program, conduct revenue and expenditure projections, and establish expectations for the enterprise fund. Beyond helping to bolster the town's credit rating, they will reinforce effective and responsible management practices and enhance the probability of fiscal stability.

## 10. Establish a Comprehensive Capital Planning Program

Wareham's capital planning process has been described as a work in progress. Although a relatively new capital planning committee is developing a program, it now appears the town administrator has taken charge and is the one primarily responsible for building an inventory of capital

items for funding by town meeting. Compounding the problem is a growing list of almost \$6 million in capital requests identified in the town's multi-year capital financing plan, not including discussion of almost \$20 million in potential construction costs associated with a police station, council on aging facility, and sewer projects.

Adding to these concerns is the town's limited investment in infrastructure and equipment. In FY2011, local officials have budgeted \$164,542 in direct capital outlay, with an informal policy to spend around \$200,000 going forward. Moreover, the town is only projected to spend 2.14 percent of total revenues on capital financing (direct outlay and debt service), although policy dictates a target range of between 5 to 6 percent.

Therefore, in order to refocus efforts to establish a comprehensive capital planning program that embodies clear expectations and spending priorities, we recommend the following.

- *Outline a set of annual procedures:* Although Wareham's Town Charter outlines a capital program with a clear set of procedures to guide the capital planning committee, it does not appear to be followed. To provide direction, we recommend that officials start by preparing a timetable that identifies deadlines for each step within a capital planning process.
- *Develop a complete inventory of all capital assets:* The capital planning committee should next build a detailed inventory of all existing capital assets that at a minimum would include all buildings and equipment. Officials may also want to include all roads, utilities and sewers. The inventory list should cite maintenance and replacement priorities, identify the year facilities and equipment were built or acquired, the date of last improvement, current condition, the extent of use, along with any scheduled dates for replacement or expansion. To begin, we suggest obtaining a copy of the town accountant's list of fixed assets.
- *Assess the town's financial capacity:* The capital planning committee with the help of the town administrator and financial management team should then analyze the town's ability to afford major expenditures. Although funds may not be available, an analysis should be completed that examines recent and anticipated trends in revenues, expenditures and debt. Not only will this analysis determine the capacity to fund projects, it can facilitate decision making as funds become available. Local officials may also want to consider leveraging the expected \$200,000 in direct annual outlay by issuing debt. The treasurer and accountant should review balances of prior borrowings. If projects are completed or abandoned, excess bond proceeds can be redirected by town meeting to other capital purposes. Similarly, they should review authorized, but unissued debt, to see if town meeting approval of bonds can be rescinded.
- *Project evaluation and communication:* Moving forward, the capital planning committee should summarize their detailed findings within a report that justifies their decision making process to the town administrator who would incorporate it within the budget process. Key to this process is a set of objective criteria to prioritize projects. Criteria are generally based on operational impact and urgency, including public safety needs, legal requirements, items deferred from prior years, or items that might result in the loss of a grant or reimbursement opportunity.

Many communities historically spend too little on maintaining existing infrastructure and equipment, which tends to accumulate into a backlog of capital spending needs as a result of deferred maintenance. A comprehensive capital-planning program serves as an effective resource allocation tool

to direct resources to identified needs, and facilitates a strategic planning process built upon an explicit long-term vision for the town. Linked to a multi-year financing plan, it embodies clear standards and capital spending priorities.

## 11. Conduct Quarterly Revenue and Expenditure Projections

We recommend that the town administrator direct the accountant to provide him with quarterly revenue reports that show initial revenue estimates that support the budget from all sources, year-to-date collections and projections of surpluses or deficits by category. This analysis will provide him with early warning of the town's risk of closing the year with a revenue deficit. If warranted, he can then make necessary adjustments to expenditures for the remainder of the fiscal year to avoid a deficit.

The departmental expenditure reports should also be viewed. With this information, the town administrator should be able to project whether line items are likely to be overspent and anticipate unspent balances in other departments. He can then devise a plan to use excess funds to cover deficits through year-end transfers. The town should always avoid ending the year with an appropriation deficit. These amounts are deducted from free cash and will also be raised in the following year's tax levy.

## 12. Establish Enterprise Fund Expectations

The water pollution control facility enterprise fund is intended to account for all direct, indirect and capital costs associated with the sewerage treatment operation. The selectmen should then set user fees at an appropriate level to recover those costs and to generate a reasonable surplus, which would remain available for use only for enterprise purposes. However, it is clear from historical data that the enterprise fund operates with a structural deficit. Over the preceding three fiscal years, the facility has relied on over \$1,263,880 in retained earnings to support ongoing operations as reported to DOR, the bulk of which has been generated from betterment assessments paid in full rather than over the apportioned period. This use of retained earnings is lawful, but not prudent. In order to strengthen overall business practices and to establish long-term financial stability, we offer the following recommendations:

- *Build a Multi-Year Revenue and Expenditure Forecast:* A realistic multi-year revenue and expenditure forecast allows officials to better understand and quantify the long-term cash flow needs and the fiscal impact of current policy decisions. It contributes in a significant way to the annual budget process by working hand-in-hand with the capital planning and fee setting process.
- *Establish a Comprehensive Capital Improvement Program:* A multi-year capital plan to maintain and improve infrastructure should embody clear spending priorities. A five-year projection, updated annually should be presented to the capital planning committee and incorporated into the town's overall capital plan.

- Review Rates: User rates should be reviewed annually to verify that revenues adequately cover the total operating costs. The review should coincide with the town’s annual budget process and rates should take effect prospectively on July 1.
- Make Decisions on the Use of Retained Earnings: A reasonable retained earnings balance is tied to anticipated expenditures for planned capital improvements and allows for a reserve to cover unforeseen costs. Periodic use of retained earnings to offset rates is acceptable, but should not be an annual practice.
- Outline Indirect Cost Formula: An indirect cost is the time devoted and/or expenses incurred by other town departments in the interest of enterprise fund activities. The town accountant should gather this information through interviews with staff and, as one option, can use the following formula for calculating indirect costs.

$$\frac{\text{Hours Worked on Enterprise Activities per year by Individual(s)}}{\text{Total Hours Worked per year by Individual(s)}} \times \text{Salary and benefits of Individual(s) Working on Enterprise Activities} = \text{Indirect Departmental Salaries}$$

### 13. Review Cost of Health Insurance & Reconsider Sick Leave Buyback Provision

To its credit, the town eliminated health insurance coverage for elected officials and, more recently, accepted M.G.L. c. 32B, §18 which avoids costs by requiring eligible retirees to enroll in Medicare at age 65. Moving forward, we encourage the town administrator to annually review options for potential cost savings relative to plan design, deductibles, co-pays, and employee contribution levels. Table V in the Appendix identifies Wareham’s total cost to provide health insurance since FY2001.

In particular, the town might examine employee sick leave buy-back rights, which are unusually generous. At the extreme, some employees are allowed to carryover 60 sick days at year-end. At that time, the town will buy-back the number of sick days over 60 that the employee has accrued. Then, upon retirement, the town will buy-back the remaining 60 sick days the employee is allowed to carry over. These provisions do not apply to all employees, and town payments are either 50 percent or 100 percent of value. Between FY2006 and FY2010, the town has paid out nearly \$720,000 under the program. Payments totaling \$135,000 are budgeted for FY2011 (See Appendix IV).

### 14. Form Audit Committee

We recommend the formation of an audit committee in anticipation of the single audit currently being completed by Powers and Sullivan for FY2009. An audit committee would review the auditor’s management letter and monitor progress in resolving identified issues. The town administrator, working with finance officers, would be expected to formulate a corrective action plan, and be primarily responsible for its execution. The audit committee might be comprised of three or five members and include selectmen, finance committee members and residents. Given the substance of an audit, and to avoid any potential conflicts of interest, finance officers should not serve as members of the committee.

## 15. Consider Human Resource Function in Government Reorganization

As part of his charge, the new town administrator is looking at how town government might be reorganized to be more efficient and productive. We recommend that he consider what office or what person can fulfill a human resources function, which is now missing.

Human resources personnel would review and update the town personnel by-law, as well as document, for approval, personnel policies for the town. These policies would help establish uniform rules of employment and ensure equitable treatment for non-union employees. They would address matters of recruitment, selection and hiring, promotion, transfer, performance evaluation, grievance procedures, discipline, layoffs, and termination of employment.

In particular, personnel bylaws should establish an up-to-date classification system and compensation plan. In Wareham, there is a large discrepancy in pay between department managers and staff. In addition, staff salary scales offer little benefit to experienced employees. For instance, a person with 25 years of experience receives pay equivalent to a person with two years on the job. Lastly, a human resources person would have an instrumental role in the preparation for and negotiation of collective bargaining agreements, which with none of the nine town unions presently under contract, is an area of concern.

Looking ahead, unless effectively addressed, these factors could make it difficult for the town to attract and retain qualified employees. However, the town can put itself in a better position if it had a person who is assigned human resources responsibilities.

## 16. Combine Multiple Turnovers into a Single Deposit

At the direction of the new town administrator, a memo was issued to all departments describing a procedural change in how department turnovers should be handled. Departments are now required to hand deliver turnovers to the treasurer's office on a daily basis that include a schedule of departmental payments to the treasurer, along with receipts, cash/checks and tapes. Although we appreciate a desire to control cash and to limit the amounts within a department at any given time, separate turnovers have been made for amounts as small as \$0.25, \$0.50, and \$2.00. In the interest of reducing such occurrences, small departments should turnover weekly or when a specific dollar threshold is reached, say \$100. In this manner, cash is still being accounted for, secured and deposited timely, but additional workload associated with these turnovers is reduced.

## 17. Move to Bi-Weekly Payroll and Encourage Direct Deposit

We recommend a conversion to bi-weekly payroll for all town employees. On a bi-weekly schedule, staff time can be freed up for other tasks, and costs to process the town's payroll would be reduced. Initiating a bi-weekly payroll schedule will require collective bargaining with town labor unions.



We also recommend that the town negotiate direct deposit for all employees. For the town, direct deposit further reduces the cost of issuing checks, prevents the need to reissue lost checks and simplifies the reconciliation of payroll bank accounts because there are no outstanding checks. For employees, direct deposit is much safer and money is available when deposited.

### 18. Consolidate Revolving Fund Authorizations

The April 2010 town meeting warrant lists 10 separate revolving fund articles created pursuant to M.G.L. c. 44, §53E½. To streamline the town meeting warrant, they can be combined in one article and approved by a single vote.

Article XX - DEPARTMENTAL REVOLVING FUNDS AUTHORIZATION. To see if the town will vote to authorize revolving funds for certain town departments under Massachusetts General Laws Chapter 44 §53E½ for the fiscal year beginning July 1, 2###, or take any other action relative thereto.

<u>Revolving Fund</u>	<u>Authorized to Spend Fund</u>	<u>Revenue Source</u>	<u>Use of Fund</u>	<u>FY{current} Spending Limit</u>	<u>Disposition of FY{prior} Fund Balance</u>	<u>Spending Restrictions or Comments</u>
Passport	Town Clerk	Fees for passport processing and other related revenue	Supplies, equipment, postage and any other related expenses	\$10,00	Unencumbered balance available for expenditure	
Recreation	Director of Social Services	Recreation department program fees, proceeds from fundraising activities, and donations	Programs, supplies, equipment, contracted instructors and any other related expenses	\$120,000	Unencumbered balance available for expenditure	
Recycling	Chair of Recycling Committee with approval of town administrator	Receipts from recycling programs and projects, proceeds from fund-raising activities and donations	Programs, supplies, equipment and any other related expenses	\$50,000	Unencumbered balance available for expenditure	
<b>TOTAL SPENDING</b>				<b>\$180,000</b>		

### 19. Verify Town Meeting Appropriations

We recommend that the town accountant, treasurer/collector and town clerk meet soon after town meeting to verify appropriations approved in the operating budget, in separate articles and as debt authorizations. If major purchases or projects are approved, the treasurer/collector can later communicate with the department head with spending authority to get a sense of when funds should be available.

### 20. Dispose of Unnecessary Hardcopy Records

It was apparent upon our arrival that hardcopy records have accumulated throughout town hall and are encroaching on staff workspace. We recommend that department managers inventory

documents and records from prior years and then consult the applicable retention and disposal rules posted by the Secretary of State. The record disposal schedules and procedures to follow are located at [www.sec.state.ma.us](http://www.sec.state.ma.us). Follow links to the Records Management Unit, then to Municipal Disposal Schedules and Instructions, and to the appropriate office.

## 21. Establish Disaster Recovery Plan

We strongly recommend that the town administrator, with support from the systems manager, direct department heads to develop a formal disaster recovery plan. Any organization can experience a serious incident that stops normal day-to-day workflow and prevents it from continuing normal operations. Under these circumstances, it is important that a town craft a plan that ensures continuity of services. Although the systems manager has taken steps to protect critical data, including performing routine computer data backups, officials should work toward the completion of a comprehensive written disaster recovery plan, which addresses the following issues:

- Identify the maximum acceptable down-time for municipal operations and the maximum acceptable data loss (in terms of days), and ensure that systems are in place for data backup and storage to meet these predetermined requirements;
- Build and implement a well-documented plan that sets out step-by-step actions to be taken in the event of a minor or major data loss event;
- Train staff so that their individual and collective response is immediate and confident in the case of an event. Assign responsibilities and identify outside people or consultants to be contacted;
- Analyze the cost of the recovery program and allocate the resources necessary to implement it. Balance the value of data with the cost of recovery; and,
- Test, retest and update the plan on regular basis.

## 22. Create Privacy in Offices

In 2001, we suggested the need to “create some privacy within the treasurer/collector’s office or arrange for another location, if practical, where staff can work in privacy and be insulated from the distractions of the office.” In open work environments, it becomes difficult for staff to prevent interruption and focus on a given task, especially department managers. Although a balance, in all finance related offices, between open and enclosed workspaces will need to be reached, at a minimum we continue to recommend that partitions be put in place to separate individuals.

## 23. Adopt Red Flag Rules

Town officials need to outline a policy that addresses the new federal regulations on identity theft, known as “Red Flag Rules”, which take effect June 1, 2010. Under the regulations issued by the Federal Trade Commission, municipal utilities including water, electricity and sewer must develop a written Identity Theft Prevention Program that provides for the identification, detection, and response to patterns, practices, or specific activities that could indicate identity theft (“red flags”). Accordingly, we recommend that Wareham implement a program that would 1) detect the warning signs associated with identity theft; 2) respond appropriately to red flags; and, 3) ensure periodic updating of the Program to reflect changing risks to customers and creditors. For more information, visit the Federal Trade Commission website, [www.ftc.gov/redflagsrule](http://www.ftc.gov/redflagsrule).

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## Technology

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The management of technology is a central component of municipal government. As technology advances, so too does the investment of both time and financial resources necessary to properly manage and maintain computer systems. Today, managers of technology must ensure that computer hardware and software are running properly and that critical data is safeguarded. Technology departments must provide routine computer backups and maintain high security standards. They must monitor system performance and develop contingency plans in the event of a failure. Technology departments must also provide regular helpdesk support, arrange for outside help when necessary and support the community's website.

In Wareham, a systems manager with 26 years of experience oversees the data processing department and provides technology support. With the elimination of an assistant's position, he is now a one-person department who oversees all town hall technology and provides support to the school department and police department, which have assigned technology people. In a change since our 2001 report, the systems manager, as we recommended, now reports directly to the town administrator rather than the town accountant, although he is not classified as a department head.

The department's wide ranging responsibilities include the administration and service of the town-wide computer network, telecommunications including mobile and VoIP phones, peripherals such as printers and routers, and the town's website. The department provides helpdesk support and all computer related security and routine maintenance. Currently, the systems manager logs 30 to 40 service requests per day, or about 200 per week. At any given time, he has approximately 100 open requests for service. As of the most recently completed IT needs assessment, the systems manager administers or supports 14 servers, 4 databases, 12 separate operating systems, 50+ software applications, 190 PCs, 70 laptops/handhelds and 300 peripheral devices across 240 users at 25 different town buildings, schools and other locations.

Conclusion – The data processing department's scope of responsibility is significant and is a heavy workload for one individual. The town is fortunate that a knowledgeable and experienced manager who continues to demonstrate an ability and willingness to juggling multiple tasks and projects. A general lack of investment by the town in technology does not help. In this context, we make the recommendation to elevate the systems manager to the position of IT director with the decision-making authority of a department head. To support this new role, we recommend the formation of a technology committee, which was suggested in our 2001 report. Additional recommendations encourage investment in the town's technology infrastructure, comment on the need to provide remote backups, and address the need to update and development IT policies. We also encourage officials to reevaluate how mobile phone bills are processed.

## 24. Change Department Name and Create Department Head Authority

In today's municipal environment, "data processing" is a somewhat obsolete term. The work of processing or producing data from a central location for all to use reflects the technology of a prior time. Even though technology departments retain some of this function, it has been overtaken by a decentralized system where desktop computers give end users the ability to originate, maintain and extract their own data and reports.

In Wareham, the systems manager devotes virtually all of his time to keeping networks, computers and operating systems, which are essential to town government, in good working order. Given the global reach and overall importance of this function, we recommend that the department be renamed an "Information Technology Department".

The systems manager should be elevated to a department level manager with the necessary authority and independence to carry forward the mission of the IT department. Inherent in this authority is the ability to set the department's goals and objectives, develop the budget, and to channel all town technology decisions through one office within town hall. Included should be all technology decisions related to software, data procedures, or the purchase of hardware, including computers. The systems manager should participate in various meetings with groups of department managers.

## 25. Transfer "Administrator" Privileges to IT Director

Administrator rights allow a person to make core changes to the way the town's software functions and users interact with the software. Those rights are currently held by the town treasurer/collector. However, regardless of past practice, the responsibility for "administering" the town's VADAR financial management software should be transferred to the systems manager and town accountant. The town accountant should have control over certain financial management administrative privileges to create and update fund account and vendor codes, because she has the legal obligation to oversee all financial activity of the town. The systems manager should have the ability to establish user rights and access privileges when necessary, as he is responsible for maintaining all hardware and software applications throughout the town.

## 26. Create a Technology Committee

In 2001, we recommended that Wareham form a technology committee. Designed to be supportive in nature, the primary purpose of the committee is to serve as a resource to the systems manager. In this capacity, the committee would function as a "meaningful and objective contributor of information, analysis and insight for the town". Meetings would be ad hoc, and at the request of the systems manager. It is our expectation that committee members would be recruited from outside town hall and have the necessary knowledge, skills and IT experience.

## 27. Support IT Capital Investment

The systems manager has laid the foundation for a long-term process to evaluate and report on the town's IT infrastructure and performance requirements. In an annual needs assessment, hardware, software applications and systems in place throughout the town's 25 different locations are inventoried. Based on the results, the systems manager develops a list of priority projects and a multi-year spending strategy.

It is important that this process be on-going and supported. Despite the absence of funds, educating decision makers and communicating needs are critical elements. It helps residents and town hall officials alike to appreciate the ongoing capital investment in technology that is necessary to operate a modern municipal government. Conversely, it does departments and the town a disservice when operating systems are neglected to the point where they are no longer supported by vendors. For instance, in Wareham, 75 percent of the desktop computers in use are over 11 years old.

It appears to us that the town can no longer defer IT related maintenance, and should, at the very least, fund a long-term hardware replacement schedule.

## 28. Store Data Backups Offsite

Although computer data is backed-up on a routine schedule, with a maximum data loss exposure of a week, storage is onsite. We advise the systems manager to move stored data to a secure offsite location. Alternatively, we recommend that the town explore remote backup options. Remote backup is a relatively inexpensive, web-based, subscription service provided by a private company whereby a copy of the town's data is stored remotely in a secure offsite location. Typically, remote backup software is installed which manages the file selection, backup scheduling and location of backups. All computer related backups should be securely housed offsite. Backups generally refer to the copying of electronic data files to a storage device, which is available to restore information in the event of a loss.

## 29. Implement IT Policies

The town administrator together with the systems manager should review and revise the town's email and internet acceptable use policies, and develop a similar policy on the use of town issued mobile phones. Once updated, they should be distributed to department heads who would secure signatures from employees acknowledging that they have read the policy. Going forward the town would, as it has in the past, require new employees to verify through signature that they have received and read the policies as well. Signed acknowledgements should be retained in personnel files. Ultimately, computer and mobile phone related policies are designed to prevent abuse and protect both the town and employee in instances of inappropriate conduct.

For more guidance on policy content, we have included a copy of the Department of Revenue's email, internet, and phone policies in the Appendix. Officials are also encouraged to contact neighboring communities who may have developed similar policies.

### 30. Develop Office Procedures Manuals and Encourage Staff Training

Recommended in our 2001 report, we continue to support the development of procedures manuals within the accountant, treasurer/collector and assessors offices. As previously described, effective manuals include a step-by-step narrative of procedures and include computer screen images placed in a loose-leaf notebook. This is particularly important now because the town accountant is scheduled to roll out a new chart of accounts along with an update to the VADAR application on July 1<sup>st</sup>. It is our understanding that the treasurer/collector's office has started to put together a procedures manual for that department.

Due to the scheduled July 1 deployment of a new chart of accounts and VADAR update, we recommend staff training to make better use of computer systems. Not only will training serve as a refresher and help provide useful information, but also opportunities will arise to explore alternative ways to operate more efficiently and effectively. Specifically, we feel staff could benefit from additional instruction on VADAR.

The systems manager could be of assistance in both these initiatives.

### 31. Change Cell Phone Billing Process

We recommend that the mobile phone billing process be removed as a technology responsibility. Currently, the systems manager receives a single bill from Sprint for 64 town issued cell phones and allocates charges to individual departments. Responsibility for maintaining the town's communication system does not create an obligation to manage the cell phone billing process. This is inappropriate and an inefficient use of the system manager's time. The task should be moved to the office of the town administrator or accountant where there is more staff.

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## Accountant

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The town accountant has a legal obligation to oversee all financial activity of the 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 should prepare payroll and vendor warrants to be signed by the board of selectmen; maintain a general ledger where receipts, expenditures and all other town financial activity are recorded; and, reconcile cash, debt and receivables with the treasurer/collector monthly. In addition, the town accountant tracks revenue and expenditures, and is typically involved in the annual budget process. Among required submissions to the Department of Revenue, the town accountant is responsible for producing the town's annual Schedule A and year-end balance sheet for Free Cash certification. Finally, the town accountant works with the board of assessors and town clerk in the preparation of the town's Tax Recapitulation Sheet.

Hired in July 2009, Wareham's town accountant previously served as the assistant town accountant in Abington. In April she became a certified governmental accountant by the Massachusetts Municipal Auditors' and Accountants' Association (MMAAA). Before her arrival, the position was filled for almost six months by a consultant from Financial Advisory Associates (FAA) who processed warrants. In a change of responsibilities, the current town accountant does not function as the town's finance director. Staff includes a full-time accounts payable clerk and a part-time accountant assistant. The accountant also receives help on an ad hoc basis for special projects from a part-time department assistant. The accounts payable clerk is largely responsible for verifying department expense payments and putting together the vendor warrant for the board of selectmen's signature. The accountant assistant, who works about 10 hours per week, handles office bookkeeping and other assigned projects. The department assistant reconciles various accounts including withholdings and the health insurance trust fund.

In 2003, the town purchased VADAR Systems' integrated financial management software for the accountant, treasurer/collector and assessing office, and in 2006, it was implemented by the school business office. The package provides a full array of accounting and financial applications including accounts receivable and payable, general ledger, payroll, procurement and budgeting modules. To streamline reporting, the VADAR software allows for posting of receipts and invoices at the department level.

More recently, the accountant began issuing revenue and expenditure reports on a monthly basis; the town switched to Powers and Sullivan who will complete the FY2009 financial audit; and Mark Abrahams of The Abrahams Group was engaged to deliver a new chart of accounts in mid-May that will be implemented by VADAR beginning July 1, 2010.

Conclusion – Day-to-day accountant responsibilities are being completed including the maintenance of municipal books and processing vendor and payroll warrants. The concerns we have generally deal with higher-level issues such as preventing appropriation deficits, verifying revolving



funds, and closing the town's books as described in the overall financial management section of this report. Of concern as well is the absence of a designated person with the skills necessary to act in the accountant's place. In addition, the town accountant must begin reconciling cash and receivables on a monthly basis, and the department should also verify that offices are reconciling expenditure reports.

### 32. Establish Expectations

The town accountant has legal everyday duties that require her attention and also has an instrumental role in addressing the financial management concerns expressed in the Director of Account's April letter and outlined at the beginning of this report. To create focus and measure progress, we recommend that the town administrator and accountant agree to a clear set of priorities. Once the town administrator's expectations are established, the accountant should develop a timeline for completing the tasks necessary to meet them. To help, she should set aside time each day when she can work without interruption.

In addition, we believe the town accountant could benefit from continued training to help her meet the reporting requirements of DOR for the Tax Recap Sheet, Schedule A and year-end balance sheet for free cash certification. Available resources include the Massachusetts Municipal Auditors' & Accountants' Association (MMAAA) which hosts an annual school in Amherst, MA, as well as the Division of Local Services which has a number of publications and guidelines available on its website [www.mass.gov/dls](http://www.mass.gov/dls). Although it can be expensive, officials might also consider the services of an outside consultant who can sit with the accountant one-on-one and review practices and procedures.

### 33. Appoint Assistant Town Accountant

Given the growing financial complexities and demands on the office, the need to appoint a skilled assistant town accountant is becoming increasingly apparent. The individual should be trained in municipal accounting practices and have the skills necessary to perform a variety of professional accounting duties, including the monitoring and reconciliation of accounts and preparing complex records and reports. The individual should also have the ability to assume the responsibilities of, and have authorization to act as, the town accountant in the event of her absence.

### 34. Complete Monthly Reconciliations

It is our understanding that although internal reconciliations of cash and receivables are taking place in the treasurer/collector's office, balances have not been reconciled to the accountant's general ledger since June 2009. According to the accountant, this gap is attributed to issues with the current software. Still, the reconciliation of cash and receivables are essential financial controls and should be a priority. The town accountant is primarily responsible for coordinating regular monthly reconciliations and should arrange a time with the treasurer/collector at the end each month to meet and complete

reconciliations, or to receive balances that she would then compare to the general ledger. It is their collective responsibility to resolve variances. To be successful, all respective records need to be up-to-date. The town administrator should consider appropriate steps to ensure that a regular schedule of reconciliations takes place moving forward. We also encourage the reconciliation of debt and grants.

### 35. Verify Department's Reconciliation of Monthly Expenditure Reports

In January, the town accountant began to produce monthly expenditure reports for each department as required by law. For their part, department managers are expected to review the information contained within the reports to confirm the status of their department budget - identifying and resolving errors as part of the process. This type of review works best when an assigned person in each department maintains an independent expenditure log on an Excel spreadsheet. The review provides departments with useful information on monitoring the financial performance of their office, for analyzing the underlying causes of any line-item shortfalls or excesses, and for making necessary mid-course budget adjustments. Lastly, as part of this practice, the town accountant should perform regular spot checks to verify that departments are completing necessary reconciliations.

If, in the future, department managers are granted read-only access to the town's financial management software, each will have on-going, real time access to their account information. Verification of appropriation balances is still necessary, but the accountant will no longer need to distribute expenditure reports in hardcopy.

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## Treasurer/Collector

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The treasurer functions as the community's cash manager and has custody of all municipal money. Included is the responsibility to post and deposit town receipts into appropriate bank accounts, and to monitor balances to ensure that sufficient funds are available to cover town obligations. The treasurer invests town funds and manages debt to maximize investment income and to meet cash flow needs. The treasurer maintains a cashbook, debt schedule, check registers and various logs to track balances for grants, trusts, revolving funds and special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, both internally, and with the accountant on a regular basis. The treasurer also maintains tax title accounts and prepares documents to petition for foreclosure.

A town collector possesses the authority to receive all payments due the community including property taxes, excises, betterments and certain other charges. The collector has the responsibility to make certain that collections are properly counted, posted to taxpayer accounts, and turned-over. The collector pursues delinquent accounts and then moves them into tax title accounts. To be successful, the collector must maintain an up-to-date receivable control that is reconciled with the accountant monthly. They should run credit reports as appropriate and complete necessary research to confirm when refunds are due. In accordance with state law, the collector is required to respond to requests for municipal lien certificates.

In Wareham, the current treasurer/collector was appointed when the position was functionally combined in 2003. He has been with the town for 16 years, is a Certified Massachusetts Municipal Treasurer and Collector, and previously served as the town's director of assessing. An assistant treasurer/collector and five full-time department assistants support him. Staff in the treasurer and collector's offices are cross-trained.

The treasurer/collector office is located on the first floor of town hall where payments are received, department turnovers are submitted, and other business is conducted. The department is responsible for the collection of real estate, personal property, sewer charges, Onset and Wareham district taxes and charges, motor vehicle and boat excise, and betterments/liens. The department uses the VADAR financial management software application.

The office issues two quarterly tax bills twice a year by July 1 and January 1. Payments can be received over-the-counter, by mail, via lockbox (Citizens Bank) or online (MCC). According to the treasurer/collector, 13,968 real estate bills are printed, stuffed and mailed by the town's deputy collector PKS Associates. The office also annually processes approximately 3,100 personal property tax bills, 26,000 motor vehicle and 2,000 boat excise bills, as well as 5,500 sewer bills. Onset and Wareham district taxes are also billed and collected with real estate.

Conclusion – Overall, we feel the treasurer/collector fulfills the core responsibilities of the office. The department is well staffed with a knowledgeable assistant treasurer/collector and five department assistants who collectively have over 100 years of experience in Wareham. Although not provided as a separate recommendation, the treasurer/collector and town administrator may want to

prepare a succession plan for the eventual turnover that will occur within the office. The recommendations outlined below are designed to encourage efforts that are already underway and to promote further efficiencies. A primary concern should be the amount of outstanding receivables. Beyond that, we recommend that the treasurer/collector revisit how turnovers are handled, and that partial payments be appropriately applied. Lastly, we recommend that the office explore the benefits of using lockbox and online payment methods for sewer bills.

### 36. Combine Multiple Turnovers in a Single Deposit

It has been a long-standing practice in the treasurer's office to prepare a separate bank deposit slip for each departmental turnover it receives. This is excess work that results in a nominal benefit. It is particularly burdensome as departments are currently directed to make turnovers daily. As a consequence, individual deposit slips have been completed for departmental turnovers as small as \$0.50, \$1.00 and \$2.00. Instead, at a designated time each day, all money received as a departmental turnover should be counted, reconciled and combined into a single bank deposit. As part of the process, a record of each check received would appear on an adding machine tape, and each turnover would be separately recorded in the treasurer's cashbook and associated with its respective deposit.

### 37. Continue Efforts to Reduce Outstanding Receivables

In FY2010, the treasurer described the collection of approximately \$550,000 in outstanding real estate taxes and over \$1.34 million in total outstanding receivables. Despite his efforts however, the number of accounts in tax title remains high. We encourage the treasurer/collector to continue to take the necessary steps to move outstanding receivables into tax title, to stay current with subsequents, and to take appropriate action by initiating foreclosure proceedings. Local officials should also be aware that the successful collection of outstanding taxes requires an infusion of resources sufficient to cover advertising and filing fees, as well as an ongoing commitment from the treasurer/collector, town administrator and the board of selectmen. Included in the Appendix is a series of steps we suggest the treasurer take to organize tax title accounts.

### 38. Prioritize Partial Payments

It is our understanding that partial tax and other payments may not be properly applied to taxpayer accounts. Under M.G.L. c. 60, §3E, the treasurer/collector is directed to apply partial payments on delinquent accounts first to accrued interest and collection charges, and only then to the outstanding tax, excise or betterment. We suggest that the town communicate with VADAR representatives to confirm how this sequence of payments can be executed and by-passed if necessary. For more information regarding the application of partial payments, we direct you to Informational Guideline Release (IGR) No. 03-210 located in the DLS Newsroom section of our website [www.mass.gov/dls](http://www.mass.gov/dls).

### 39. Utilize Lockbox and Online Payment Methods for Sewer Charges

We encourage the town to expand lockbox and online payment methods to include payments for sewer and other charges. Both lockbox and online bill payment offer advantages to the town in terms of reduced over-the-counter and mail traffic, faster deposits, as well as offering convenience and flexibility to ratepayers. Under typical arrangements, payments are deposited by the service and a record of activity is delivered to the town for posting. In our experience, communities who utilize lockbox and online payment services, and market their use aggressively, have experienced a significant decline in the number of manual (over-the-counter and mail) postings. We encourage the treasurer/collector to evaluate the costs and benefits so a decision can be made.

For more information, we direct you to the “Best Practices” section of our website under financial management at <http://www.mass.gov/dls>.

### 40. Tighten Petty Cash Rules

If departments are allowed to retain petty cash, we recommend the following procedures:

- 1) Starting petty cash balances should be small amounts, i.e., under \$50;
- 2) Receipts should always be retained for expenditures from petty cash;
- 3) When petty cash is depleted, the department manager should make a written request to the treasurer to replenish the amount, which should not be granted unless receipts are provided to document expenditure of the prior amount; and,
- 4) Departments that have petty cash and also accept payments over the counter should not divert any portion of collected amounts to petty cash. All departmental receipts must, by law, be turned-over to the treasurer.

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## Assessors

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The assessing department is responsible for valuing all real and personal property in town and generating the commitment that authorizes the collector to collect property taxes, motor vehicle and other excise payments. Work is generally performed through a combination of office staff and professional appraisal firms. The Division of Local Services (DLS) annually reviews town assessments to ensure that they reflect full and fair cash value, and conducts a certification of values every third year.

The board of assessors in Wareham consists of five, part-time elected members, who include an appraiser, assessor and a certified commercial appraiser. The board's primary responsibilities involve reviewing and approving valuations, abatements and exemptions, and signing-off on the overlay and the new growth estimate, which is used to calculate the community's levy limit. Remaining day-to-day responsibilities fall to the full-time staff including the director of assessment, assistant assessor, chief assessing clerk and three department assistants.

All residential and commercial valuation is done in-house. The department uses Vision Appraisal software for maintaining property record data, completing valuations and for hosting the town's property information online. The assessors also use PK Valuation Group (Paul Kapinos) to assist with commercial valuation and RRC (Real Estate Research Consultants, Inc.) to value taxable personal property. In the near future, the department plans to initiate a two-phase project to complete personal property valuations in-house and to upgrade software to one vendor for all real estate valuation purposes.

The volume of work in the assessing office involves approximately 13,000 residential parcels, 1,000 commercial and industrial parcels, and 3,100 personal property accounts. Real estate taxes are on a quarterly schedule. "Preliminary" tax bills for the first two quarters of the fiscal year are issued by July 1<sup>st</sup>. The actual tax bill for the remaining two quarters is issued by January 1. The office also commits approximately 2,000 boat excise bills and about 26,000 motor vehicle bills to the collector. In addition, the department processes about 1,700 building permits and reviewed over 400 sales.

For FY2010, the department has an allowance for abatements and exemptions, or overlay reserve, of \$320,376 that represents about one percent of the total tax levy. Of the applications filed to date, the department issued over 200 total abatements and 300 exemptions. There are no cases pending before the Appellate Tax Board (ATB), other than the wireless communications personal property case, which impacts most communities across the state. The board of assessors has not certified an amount to overlay surplus since FY2007.

Conclusion – Based on our review, the assessing department in Wareham fulfills its function, completes requisite tasks, and complies with the Bureau of Local Assessment's (BLA) accepted practices and state regulations. Our recommendations reflect this opinion, and are intended to encourage the assessing office to implement the Bureau of Local Assessment's prior recommendations, which we understand to be underway.

#### 41. Implement Bureau of Local Assessment Recommendations

In FY2009, the Bureau of Local Assessment (BLA) completed a triennial certification of values for the Town of Wareham to ensure full and fair market value of real estate in town. As part of the process, BLA made recommendations to improve the accuracy of valuations and the effectiveness of assessing operations. We advise that the director of assessing plan to address the recommendations prior to Wareham's FY2012 certification. These recommendations encourage the assessors to continue their cyclical reinspection program so that each town parcel is inspected at least once every nine years (next due in 2014); to continually review and analyze market influences on land values and neighborhood delineations to ensure that land is adjusted in a uniform and equitable manner; and, conduct a new valuation analysis of residential second home personal property prior to the next certification in FY2012.

#### 42. Authorize Overlay and New Growth Estimates

We recommend that the board of assessors formally vote, in an open meeting, to authorize the annual overlay and new growth estimates that are part of the budget process and submitted to DOR on the town's Tax Recap Sheet. It is a BLA expectation that local boards of assessors be on record, and therefore accountable, for overlay and new growth estimates. Despite the fact that the board defers the responsibility for making the annual calculations to the town accountant and deputy assessor, its members should demonstrate that they understand and approve the recommended overlay and new growth estimate. They can do that with a vote in open session.

Appendix

I. Community Comparison Table

	Income Per Capita*	EQV Per Capita**	FY2010 Average Single Family Home Value	FY2009 Average Single Family Tax Bill
Wareham	\$22,870	\$198,695	\$282,306	\$2,290
Plymouth County	32,391	165,479	358,526	4,485
MA Towns	35,852	165,919	373,885	4,327

\*Income per capita was calculated using 2007 DOR Income / 2008 US Census

\*\*EQV Per Capita was calculated using 2008 EQV / 2008 US Census

II. Economic Condition & Financial Flexibility Data

Wareham Total Assessed Values

Fiscal Year	Total Assessed Values	Percent Change
2000	1,430,696,003	
2001	1,433,700,475	0.21
2002	1,449,156,184	1.08
2003	2,192,983,477	51.33
2004	2,239,288,900	2.11
2005	2,952,730,500	31.86
2006	3,711,665,100	25.70
2007	3,845,738,200	3.61
2008	3,928,807,110	2.16
2009	3,861,179,220	-1.72
2010	3,664,105,690	-5.10

Wareham Unemployment Rate

Fiscal Year	Labor Force	Unemployment	Rate
2000	9,070	353	3.9
2001	9,156	408	4.5
2002	9,665	602	6.2
2003	9,546	746	7.8
2004	9,523	645	6.8
2005	11,806	600	5.1
2006	11,418	645	5.6
2007	11,157	755	6.8
2008	11,453	923	8.1
2009	11,601	1,144	9.9
2009	11,694	1,300	11.1

Wareham Revenue Components

FY	Tax Levy	State Aid	Local Receipts	All Other	Total Receipts	As Percent of Total			
						Tax Levy	State Aid	Local Receipts	All Other
2000	18,684,890	14,668,401	8,199,007	3,249,286	44,801,584	41.71	32.74	18.30	7.25
2001	19,440,978	15,518,425	7,961,272	1,223,349	44,144,024	44.04	35.15	18.03	2.77
2002	20,259,203	15,603,376	7,948,469	2,822,281	46,633,329	43.44	33.46	17.04	6.05
2003	21,359,659	15,524,528	9,811,810	2,192,924	48,888,921	43.69	31.75	20.07	4.49
2004	22,885,533	14,283,331	11,228,022	2,165,260	50,562,146	45.26	28.25	22.21	4.28
2005	23,680,899	14,404,642	12,420,235	2,072,879	52,578,655	45.04	27.40	23.62	3.94
2006	25,387,789	14,797,893	13,431,713	2,239,688	55,857,083	45.45	26.49	24.05	4.01
2007	26,189,477	15,697,920	15,037,058	2,122,207	59,046,662	44.35	26.59	25.47	3.59
2008	27,344,497	16,136,382	15,490,838	280,229	59,251,946	46.15	27.23	26.14	0.47
2009	28,727,173	16,787,381	13,456,818	484,497	59,455,869	48.32	28.24	22.63	0.81
2010	29,715,897	15,808,822	12,454,434	568,000	58,547,153	50.76	27.00	21.27	0.97



**Wareham Free Cash and Stabilization Balances**

FY	Free Cash Balance	Stabilization Balance	As Percent of Total	
			Free Cash	Stabilization
2000	627,072	601,016	1.40	1.36
2001	334,470	529,950	0.76	1.14
2002	1,446,018	568,132	3.10	1.16
2003	1,430,105	227,626	2.93	0.45
2004	1,596,550	434,487	3.16	0.83
2005	701,635	445,207	1.33	0.80
2006	1,351,828	463,146	2.42	0.78
2007	666,352	157,592	1.13	0.27
2008	106,215	163,635	0.18	0.28
2009	-462,952	64,315	(0.78)	0.11
2010	715,588	n/a	1.22	n/a

### III. DOR Acceptable Use Policies

#### **Electronic Messaging and Internet Acceptable Use Policies:**

**Introduction**

The Massachusetts Department of Revenue (DOR) encourages responsible, effective and lawful use of the Internet and electronic mail (E-mail) as a means for employees to fulfill their individual job duties and responsibilities. Inappropriate use of your Internet and E-mail privileges can result in disciplinary action up to and including termination of your employment with DOR.

**Purpose**

In view of the potentially serious consequences that may result from the misuse of the Internet and E-mail at work, DOR has issued this policy to provide you with direction and guidance for the acceptable and responsible use of the Internet and E-mail systems.

**Scope**

This policy applies to all employees. "Employees" for the purpose of this policy shall include: all full or part-time employees of DOR or its vendors: contract employees; individual consultants; temporary employees; seasonal employees; volunteers; trainees; student interns; members; directors; officers; partners; agents; and subcontractors. The use of DOR resources implies an understanding of an agreement to this policy.

**Policy**

Employees should have no expectation of privacy when using the Internet and Exchange/Outlook, the E-mail messaging system. All Internet and E-mail use is continuously monitored to ensure compliance with this policy. The use of DOR resources constitutes express consent for DOR to monitor and/or inspect any data that users create or receive, any messages they send or receive, and any web sites that they access.

Employees should not use state provided E-mail messaging systems for confidential matters that are not intended for public disclosure. All DOR E-mail users are strongly encouraged to use, Secure Mail Gateway, DOR's authorized encrypted secure E-mail option when sending messages outside of DOR. For more information on the secure E-mail option, please see <http://dornet/misc/Tovaris/Tovaris.pdf>.

DOR provided Internet and E-mail messaging systems are state property. Internet and E-mail content residing on DOR networks and computer systems and Internet/E-mail content sent to or from DOR networks and computer systems is DOR property.

Incidental personal use of DOR Internet and E-mail systems, while not encouraged, is permissible at the discretion of divisional management. Personal use must not interfere with an employee's work performance and must not violate the unauthorized use guidelines within this policy.

Internet and E-mail access is a privilege provided to employees to help them conduct official DOR business and may be revoked at any time.

Employees are prohibited from accessing Internet sites or sending any E-mail containing material that is sexually explicit, gambling related or that contains defamatory, harassing, threatening or otherwise offensive content.

Any employee that is requested by an external vendor/consultant/contractor to participate in a remote control type session with the external vendor/consultant/contractor must contact ISO's User Support line at 617-887-5911 or x75911 to request the ability to participate. Each request will be reviewed on an individual basis and a determination issued upon review by ISO.

**Telephone Call Policy:****Personal Calls**

While DOR recognizes that some instances of personal use may be unavoidable, the placing of personal calls from DOR telephones is discouraged and excessive use is subject to reimbursement by the employee. Employees must use common sense and good judgment with regard to any personal use of DOR telephone systems. If in doubt about the appropriate use of telephones or any DOR resource, employees must check with a manager.

**System Monitoring**

As with all DOR systems, telephone use is monitored. Excessive use of DOR telephones is reported monthly to each Deputy Commissioner via an exception report. The exception report details all calls made from any DOR telephone that:

- 1) Exceed 30 minutes in length;
- 2) Exceed 10 minutes in length outside of normal business hours (6:00 PM to 7:00 AM or on weekends).

Continued excessive personal use of DOR telephones may result in disciplinary action up to and including termination of employment.

**Reimbursement**

All personal telephone calls reflected on the exception report that either individually or in the aggregate total \$5.00 or more, must be reimbursed by the employee via check or money order payable to the Commonwealth of Massachusetts. No cash payments will be accepted.

Divisional managers are responsible for identifying any questionable telephone calls on the exception reports, securing reimbursement from the employees who made the calls, and forwarding all reimbursements to the Administrative Services Division (ASD).

#### IV. Organizing Tax Title Accounts

- Land of low value: These properties, improved or vacant, can be placed on a fast track toward auction outside Land Court proceedings. To qualify, a tax title property must have a current assessed value less than \$19,130 for calendar year 2010. The most recent tax bill should be a good indicator of a property's current assessed value.
- Multiple parcels under single ownership: On the town's list of tax title accounts, there may be instances where individuals own multiple properties. Greater efficiencies can be gained by dealing with these properties together either in Land Court or during a negotiation of a partial payment agreement.
- Accounts with bad addresses and/or deceased properties owners: These accounts should be individually investigated to determine the likelihood of identifying legal owners, or person(s) in possession. If an owner is found, contact should be made. If after a diligent search, an owner cannot be found, alternative action should be considered. Available options include a petition to the Commissioner of Revenue under M.G.L. c. 59, §11 seeking authorization to assess taxes to the person in possession of the property (if this is the case), or to assess the taxes to persons unknown.
- Existing partial payment agreements: Existing agreements should be reviewed to ensure that each is being honored and that payments are sufficient to pay down the outstanding tax balance within a reasonable time. If not, the agreement should be restructured or voided, and foreclosure proceedings should be initiated.
- Remaining accounts: These accounts are the most likely candidates for outside legal assistance. We recommend the treasurer identify properties with the highest outstanding balance and solicit legal services through a request for proposals. Let respondents provide details on how many accounts, on what basis and for what fee each would contract with the town. The process can be replicated as needed to reduce the number of tax title accounts.

#### V. Health Insurance & Sick Leave Buyback Cost Tables

**Health Insurance Cost Table**

<u>Fiscal Year</u>	<u>Cost</u>	<u>Percentage Change</u>
2001	2,746,780	
2002	3,088,782	12.5
2003	3,260,461	5.6
2004	4,152,923	27.4
2005	3,321,160	-20.0
2006	4,281,893	28.9
2007	4,629,969	8.1
2008	4,686,044	1.2
*2009	6,297,509	34.4
<b>Since 2001 :</b>		<b>129.3</b>

**Sick Leave Buyback Cost Table**

<u>Fiscal Year</u>	<u>Total Cost*</u>	<u>No. of Employees*</u>
2006	139,270	57
2007	159,617	59
2008	139,665	65
2009	164,012	63
2010	117,086	66
<b>Total:</b>	<b>719,649</b>	

\*Includes bonuses paid out to retirees

\* Increase due to IBNR and auditor adjustments to the Health Insurance Trust as noted in audit report

VI. Community Preservation Fund Financing Sources

	<b>ANNUAL FUND REVENUES</b>	<b>BUDGETED RESERVES</b>	<b>FUND BALANCE</b>	<b>BORROWING</b>
<b>DEFINITION</b>	Annual recurring revenues	Funds designated by the legislative body for later appropriation for any CPA purpose during the fiscal year and/or for one of the following specific CPA purposes: (1) Open Space (excluding recreational), (2) historic resources and (3) community housing	Unspent funds generated by favorable operations during the previous FY that are available for appropriation	Debt repaid with future fund revenues
<b>SOURCE</b>	<p>Surcharges assessed for FY</p> <p>State trust fund distribution received during FY (beginning in the 2<sup>nd</sup> year of fund operation)</p>	Appropriation from annual fund revenues or fund balance	<p>Appropriation turn-backs, including unappropriated balance from any annual budgeted reserve</p> <p>Actual receipts in excess of budgeted revenues</p> <p>Investment interest</p> <p>Miscellaneous non-recurring revenues e.g., proceeds from sale of community preservation fund acquisition, damages and fines related to the acquisitions, or public/private gifts/grants for non-specific community preservation fund purposes</p>	Proceeds from notes, bonds or other debt obligations issued for a CPA purpose
<b>LIMITATIONS</b>	<p>Legislative body <i>must</i> appropriate or place in budget special purpose reserves at least 10% of each year's annual revenues for each of the following CPA purposes: (1) Open Space (excluding recreational), (2) historic resources and (3) community housing</p> <p>Cannot spend from appropriations until FY begins (<i>i.e.</i>, 7/1)</p>	<p>Appropriations <i>to</i> a particular reserve require legislative body vote that state the specific dollar amount and source being reserved</p> <p>Appropriations <i>from</i> the annual budgeted reserve may made for any CPA purpose during the FY only and any unappropriated balance at year-end closes to fund balance</p> <p>Appropriations <i>from</i> a particular special purpose reserve limited to that CPA purpose</p>	May be appropriated by legislative body for any CPA purpose	<p>Legislative body must specifically authorize borrowing under CPA (M.G.L. c. 44B)</p> <p>Borrowing limited to purposes and terms applicable to municipal borrowing generally under M.G.L. c. 44, §§7 and 8</p> <p>Appropriations from proceed remaining after purpose completed or abandoned restricted to a CPA purpose for which borrowing may be authorized for same or longer term than original loan</p>
<b>AVAILABILITY</b>	<u>Until tax rate set for FY. Once set, only budgeted reserves, fund balance or borrowing may be used as financing source</u>	<p>Annual budget reserves during FY (<i>i.e.</i>, 7/1 to 6/30)</p> <p>Special purpose reserves any time after reservation</p>	Any time after accounting officer reports prior FY fund activities and balance to DOR until 6/30 close of current FY	Anytime
<b>SIMILARITY</b>	<p>General fund annual tax levy (taxes, state aid, receipts)</p> <p>Enterprise fund annual revenues (user charges and fees)</p>	<p>Stabilization fund (<i>i.e.</i>, general fund monies reserved for later appropriation for municipal purpose)</p> <p>Enterprise fund budgeted surplus</p>	<p>Free Cash</p> <p>Enterprise fund free cash (retained earnings)</p>	Other municipal debt

VII. Community Preservation Allowable Spending Purposes

	<b>OPEN SPACE</b>	<b>HISTORIC RESOURCES</b>	<b>RECREATIONAL LAND</b>	<b>COMMUNITY HOUSING</b>
<b>DEFINITION</b>	Land to protect existing and future well fields, aquifers and recharge areas, watershed land, agricultural land, grasslands, fields, forest land, fresh and salt water marshes and other wetlands, ocean, river, stream, lake and pond frontage, beaches, dunes and other coastal lands, lands to protect scenic vistas, land for wildlife or nature preserve and land for recreational use	Building, structure, vessel, real property, document or artifact listed or eligible for listing on the state register of historic places or determined by the local historic preservation commission to be significant in the history, archeology, architecture or culture of the city or town	Land for active or passive recreational use including, but not limited to, the use of land for community gardens, trails, and noncommercial youth and adult sports, and the use of land as a park, playground or athletic field  Does <u>not</u> include horse or dog racing or the use of land for a stadium, gymnasium or similar structure	Housing for low and moderate income individuals and families, including low or moderate income seniors  Moderate income is less than 100%, and low income is less than 80%, of US HUD Area Wide Median Income
<b>ACQUISITION</b>	Yes	Yes	Yes	Yes
<b>CREATION</b>	Yes		Yes	Yes
<b>PRESERVATION</b> Protection from injury, harm or destruction, but not maintenance	Yes	Yes	Yes	Yes
<b>SUPPORT</b>				Yes, includes funding for community's affordable housing trust
<b>REHABILITATION AND RESTORATION</b> Remodeling, reconstruction or making extraordinary repairs to make assets functional for intended use, including improvements to comply with federal, state or local building or access codes or federal standards for rehabilitation of historic properties	Yes if acquired or created with CP funds	Yes	Yes if acquired or created with CP funds	Yes if acquired or created with CP funds

VIII. Wareham Proposed Town Meeting Action Spreadsheet

		From Fund Reserves and FYXX Estimated Revenue							Appropriations						
Article	Description	Est. Revenue	Affordable Housing Reserve	Historic Preservation Reserve	Open Space Reserve	Un-designated	Other	Total Revenue & Other Financing Sources	Administrative Expenses	Debt Service	Acquisitions & Projects	Special Purpose Reserves	Budget Reserve	Un-appropriated	Total Appropriations
#	Administration Expenses	\$0.00						\$0.00	\$0.00						\$0.00
	Open Space Reserve	0.00						0.00				\$0.00			0.00
	Historic Resources Reserve	0.00						0.00				0.00			0.00
	Community Housing Reserve	0.00						0.00				0.00			0.00
#	Debt Service						\$0.00	0.00		\$0.00					0.00
#	Affordable Housing Project		\$0.00					0.00			\$0.00				0.00
#	Affordable Housing Project		0.00					0.00			0.00				0.00
#	Historic Preservation Project			\$0.00				0.00			0.00				0.00
#	Open Space Project				\$0.00		0.00	0.00			0.00				0.00
<b>Total:</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>			<b>\$0.00</b>

## Acknowledgements

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This report was prepared by the  
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Cara Ann Winslow

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Richard Paulsen, Chairman

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David Trudell

### **School Administration**

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- Continued on Next Page -



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