

FINANCIAL MANAGEMENT REVIEW

TOWN OF WELLFLEET

JANUARY 2023



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Financial Management Resource Bureau

www.mass.gov/dls

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

January 25, 2023

Selectboard
Town of Wellfleet
300 Main Street
Wellfleet, MA 02667

Dear Selectboard Members,

I am pleased to present the enclosed Financial Management Review for the Town of Wellfleet. It is our goal to provide guidance and direction to local officials as we work together to build better government for our citizens.

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

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the request of the Selectboard, the Division of Local Services (DLS) Financial Management Resource Bureau, with the assistance of staff from the DLS Bureau of Accounts, completed a financial management review for the Town of Wellfleet. The request was made because over the last few years, Wellfleet has labored to provide steady leadership, financial stability, proper procedures, and an environment that fosters communication and collaboration among professional staff, boards, and committees.

The scope of our review involved examining the structure of Wellfleet's financial offices, the responsibilities of office holders, and the coordination and communication within. We also reviewed the budget and capital planning processes and how financial information is brought forth to the community and authorized at town meeting. In reviewing the town's financial management practices, we have focused on the finance department in the context of the duties and responsibilities of financial officers, financial planning regarding policies and the capital planning processes, and general efficiency of financial operations.

The following report provides recommendations based upon interviews with policymakers, senior managers, and department staff, including the team of retired officials providing interim services. We gathered and examined information and historical financial data from various documents, including town meeting warrants, budget documents, tax recapitulation sheets, balance sheets, and other financial records. Additionally, we reviewed the town's charter, bylaws, and locally accepted statutes, as well as its independent audit reports, annual reports, and credit rating profile.

OVERVIEW

Wellfleet was incorporated in 1763 and is located some 45 miles into the Atlantic Ocean on outer Cape Cod. The town is a quaint residential seaside resort community with a year-round population estimated at 3,500, which swells to more than 20,000 during the summer as tourists flock to the beaches, spring-fed ponds, shops, and restaurants. The town is home to the Cape Cod National Seashore headquarters and the Massachusetts Audubon Society Wildlife Sanctuary. Approximately 61%, or 8,000 acres, of the town's 20 square mile boundary resides within the Cape Cod National Seashore Park. Although Wellfleet continues to grow and develop, the existence of the National Seashore has allowed the town to maintain its charm and natural beauty.

Government Organization and Operations

Wellfleet's form of government is organized by a Home Rule Charter adopted on April 29, 1985, that provides an open town meeting-selectboard-town administrator form of government. The charter is supported by a combination of state statutes and locally adopted bylaws. An elected five-member selectboard serves as the chief policymaking body and appointing authority for certain town department heads, boards, and committees. The town administrator is the chief administrative officer responsible for the coordination and supervision of all employees and departments. The town administrator is also responsible for creating the annual operating and capital budgets and oversees ongoing updates to the capital improvement plan. A change to the town's charter in April 2019 strengthened the town administrator role by granting it additional appointing authority that now includes the finance team (accountant, treasurer, and collector), assistant town administrator, and other department heads and directors. A finance committee of nine members and two alternates is appointed by the moderator and approved by vote of town meeting.

Wellfleet's charter also gives the town administrator the responsibility for managing the personnel system and enforcing the personnel bylaw - duties that are further detailed in the personnel manual and by job description but have been shared by various officials. The town recently hired a human resource director with the goal of consolidating human resources into a single office taking over the responsibilities designated to the town administrator, assistant town administrator, personnel board, and treasurer. This investment in a dedicated manager addresses the lack of proper personnel management and mitigates the town's risk of unnecessary liabilities when it lacks a properly trained and dedicated personnel staff to address issues in a timely, professional manner, including complying with collective bargaining agreements, personnel policies, and federal, state, and local requirements.

Historically, town officials have been willing to amend the charter from time to time to accommodate the changing needs of the town. Unfortunately, certain changes have not been in effect because of the lack of stability in the administrative and other leadership positions whose roles are meant to spearhead and implement the policies and procedures defined by the charter, bylaws, and job description.

In the last ten years, there have been six town administrators with the current administrator being appointed in March 2022. During that same period, the town has had six assistant town administrators, nine town accountants, six treasurers, and two collectors. In FY2022, the accountant and treasurer positions were filled by consultants on an interim basis, both of whom continued in their consulting roles when the current treasurer and

Position	Office Holders
Town Administrator	6
Assistant Town Administrator	6
Town Accountant	9
Treasurer	6
Collector	2
Assessor	1

most recent former town accountant were hired in March of this year. The town accountant has since resigned his position and now, in less than a year, the ninth and current town accountant is a retired local official filling the role until a permanent accountant is hired.

Staffing municipal finance positions, particularly on the Cape, has been difficult. The recent spike in housing costs coupled with limited inventory across Cape Cod has only exacerbated a shortage of qualified local municipal officials. Without expanding the potential hiring pool, the current trend of shuffling employees from one community to the next intensifies this problem by creating recurring vacancies. As a result, communities are looking for ways to entice and keep personnel by offering higher salaries, remote working conditions, and additional benefits. Many are also engaging the services of a select few retirees and consultants as a temporary solution. For example, Wellfleet's new town administrator and most recent former town accountant came from Provincetown, both in elevated roles than their previous positions. Unfortunately, the town accountant has since returned to Provincetown, leaving Wellfleet once again without a permanent town accountant.

Wellfleet's staffing issues have nurtured the environment for financial difficulties. Over the last three years, financial reporting to the Division of Local Services has been inaccurate and incomplete. The FY2020 and FY2021 year-end balance sheets and accompanying documentation, for example, were not completed for free cash certification due to the fact that the annual audit could not be completed, which was caused by the Town's inability to close its books. The records for this period required the services of the two interim consultants at significant cost to the taxpayers to reconstruct the general ledger and verify conversion balances for FY2020, then reconstruct FY2021, while maintaining then closing FY2022, and finally assist with FY2023 financial operations. FY2022 is not closed, and cash and receivables are not reconciled to the general ledger resulting in the balance sheet and other information for FY2022 to be pending as of this report. This must all be completed and approved for free cash certification.

Fiscal Year	Date Certified	Amount
2010	02/12/2010	391,427
2011	02/18/2011	494,538
2012	01/12/2012	1,348,259
2013	02/22/2013	1,413,560
2014	01/29/2014	1,674,927
2015	10/01/2014	1,096,258
2016	01/08/2016	1,412,819
2017	04/07/2017	1,535,518
2018	03/06/2018	816,344
2019	09/20/2018	1,118,898
2020	06/15/2020	823,431
2021	Not submitted	0
2022	Not submitted	0
2023	Pending	

Free cash can only be appropriated by town meeting once certified by DLS; therefore, the certification date only becomes important when there is a desire to fund expenses from free cash. Historically, Wellfleet's free cash has been certified during the budget process for appropriation at the spring annual town meeting. Finally, the Schedule A, a year-end statement of revenues, expenditures, and certain balance sheet information that is due annually by November 30, has not been completed for FY2022. Failure to submit the Schedule A typically results in state aid being held beginning with the February distribution.

The town's unorganized and mismanaged finances were such that the FY2022 budget process not started until March 2021. The FY2022 budget was itself not balanced when presented to town meeting. To set the tax rate, the town was required to consult with DLS to increase certain estimated receipts to a higher dollar amount that was reasonably achievable in order to prevent the town having to return to town meeting to reduce the budget. Contributing to this, departments tend to work in silos and many financial operations are paper driven and lack consistency, such as timesheets, accruals and turnovers, and some staff seem ill-equipped and not properly trained. Professional staff lacks assurance within town hall and a fiscal fall-out has affected public confidence in those who manage the town's finances.

Some of the other recent financial problems that have been addressed to varying degrees but require institutional changes to prevent recurrence include:

- Poorly executed conversion to the VADAR Systems financial software. The activity was not documented with a detailed crosswalk of accounts to verify account balances were properly transferred. This resulted in the beginning FY2020 balances not equal to the previous year ending balances and an inability to reconcile cash and accounts from that point forward. This conversion initiated a total destabilization of the town's finances.
- Deficiencies cited in the FY2020 audit performed by Powers & Sullivan, LLC, the town's independent auditor. That audit identified a lack of cash reconciliations as a material weakness and the firm provides 14 other comments related to deficiencies in proper financial management and controls, including:
 - The accounting office's responsibility to maintain proper controls over the general ledger and prepare the financial information needed to compile financial statements.
 - Difficulty of getting information regarding account balances and transactions on the general ledgers or on the financial statements.
 - The need for qualified individuals for the roles and responsibilities of all the finance offices.
 - Nonconformance with generally accepted accounting practices.
- Breach of internal controls in the treasurer's office due to a lack of reconciliations of the bank balances to the cashbook and subsequently to the accountant's general ledger.
- Notice to the Securities and Exchange Commission (SEC) for violating continuing disclosure requirements required when issuing municipal bonds.

Managing the day-to-day finances continue to be a challenge. Most immediately, the general ledger for FY2023 must be reconciled with both the treasurer's and collector's records, the financial reporting for FY2022 must be completed and submitted to DLS for free cash certification, and the audits for FY2021 and FY2022 need to be completed by the independent audit firm. On the horizon is managing the Herring Run project. This \$60+ million project involves federal grants, which require additional reporting and audits. Also, the town's purchase of Maurice's Campground is another challenge to the financial team. The team will need resources and support.

To this end, Wellfleet needs to ensure that its financial offices have the people and resources necessary to ensure that the books and records of the town are being maintained in accordance with internal policy and with legally prescribed external requirements. Hiring both a town accountant and either an assistant town accountant or administrative assistance is key. Given the history with the VADAR conversion and the two-year record correction and clean-up, it is imperative that Wellfleet hire a seasoned accountant, preferably with VADAR experience.

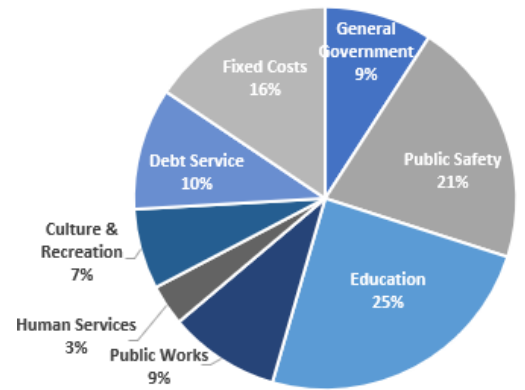
Financial Condition

To further understand Wellfleet's financial condition, it is important to look at the community's fiscal health across key areas. A review of the town's historical data tells the story of expanding budgets, constrained finances, and the taxpayer's willingness to grow the budget to increase public safety, school programs, and fund various capital purchases. It also brings to light an ever-increasingly risky pattern of relying on the annual town-wide support to increase the tax base in order to provide services.

The town's operating budget funds the full range of municipal services customary for communities of its size, including police, fire, and public works departments, a town library, senior center, and public education. Wellfleet provides kindergarten through fifth grade education at the Wellfleet Elementary School. Students in grades six through twelve join students from Brewster, Eastham, and Orleans to attend Nauset Regional School District for middle and high school with a small number electing to attend the Cape Cod Regional Vocational Technical for high school

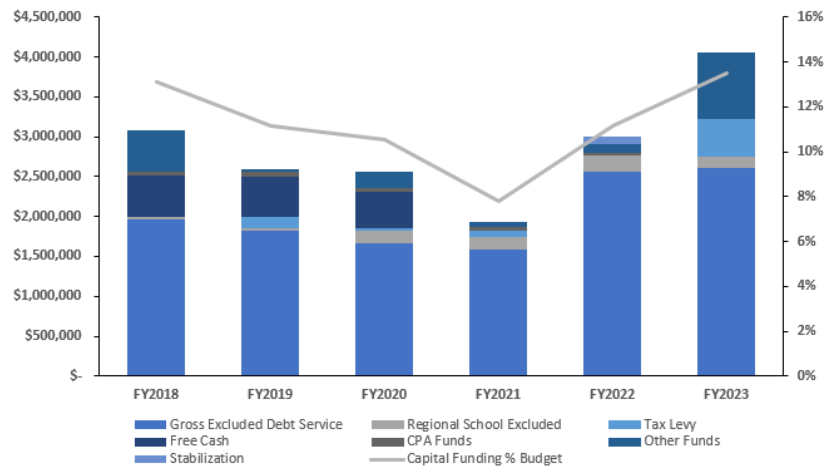
Wellfleet appropriated \$26,062,539 in general fund expenditures for FY2023, with education being the largest cost center at \$6.4M, followed by public safety a \$5.4M, fixed costs (e.g., employee benefits and insurance) at \$4.0M, debt service and human services and culture each at \$2.7M. The remaining \$4.8M is split evenly between the general government and public works. The town also invested an additional \$1.3M for capital purchases in the current fiscal year.

FY2023 General Fund Expenditures

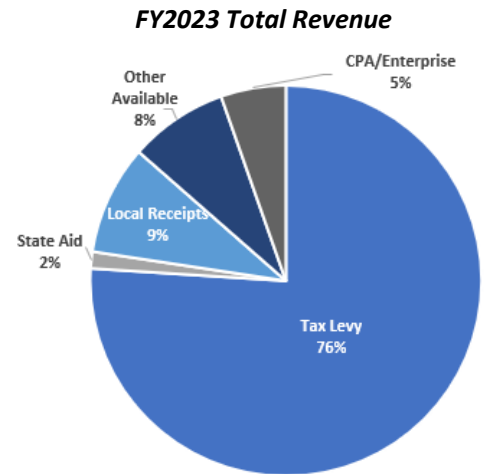


Compliant with the charter, Wellfleet has maintained a five-year capital improvement plan, and where meaningful, extended it to a ten-year plan. Sources to fund the annual capital budget include the tax levy, free cash, and other available funds such as ambulance and beach receipts. By far, the largest source of funding is excluded debt, or exempt debt as it derives its funding from levy amounts exempt from Proposition 2½ limitations. Over the last six years, all debt service has been funded through voter approved debt exclusions, which includes town authorized exempt debt for the Nauset Regional and the Cape Cod Regional Technical Schools.

Capital Funding Sources FY2018 – FY2023



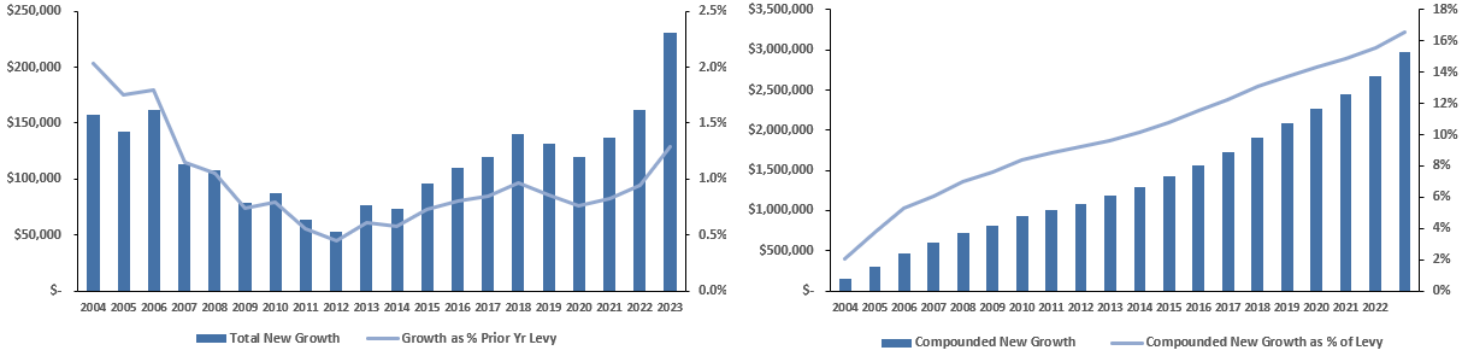
The FY2023 total operating budget, including the general, community preservation, and enterprise funds is \$30,747,491. The largest portion was funded from the tax levy at \$23.4M, while \$2.8M came from local receipts (e.g., motor vehicle excise, property rentals, and licensing and permitting fees), \$2.5M from other available funds (e.g., beach, ambulance, and previous appropriations), and the remaining \$2M from state aid, community preservation, and the marina and water enterprise funds. For most communities, state aid is a critical revenue stream; however, the state aid received by Wellfleet is more than offset by assessed charges for various programs and services, the greatest of those being the Barnstable County assessment and school choice sending tuition.



Taxes levied on Wellfleet’s residential class make up 96% of the tax levy. The town’s desirability is reflected in the average assessed value of its single-family residences, which have increased by over 50% in the last five years, from \$612,607 in FY2018 to \$917,868 in FY2023. These escalating values and reliance on residential taxes to fund the growing budget formed the basis for the selectboard to adopt the residential exception beginning in FY2019, which shifts the residential tax burden from owners of moderately valued properties to owners of vacation homes, higher valued homes, and non-owner-occupied residential properties. This results in a higher overall residential tax rate but reduces the tax burden on those who qualify for the exemption. In FY2023, the residential exemption reduced assessed values for qualifying properties by \$198,510. Despite this, however, average single family tax bills have increased close to 40% in the last six years, from \$4,399 in FY2018 to \$6,088 (with the shift) in FY2023.

New Growth - New growth represents additional value added to the property tax base from new construction or improvements to existing properties and other additions to the tax rolls and is often a bellwether for real estate development activity in a community. In turn, it provides for additional growth in the tax levy under Proposition 2½. Wellfleet’s new growth figures mirror those of the overall Cape Cod’s limited availability for development (e.g., construction of new single-family home developments and commercial areas). On average, the town’s new growth represents less than 1% of the prior base tax levy. Although when compounded over time, new growth represents close to 17% of the prior tax levy base since 2004.

New Growth as Percentage of Tax Levy Base FY2004 – FY2023

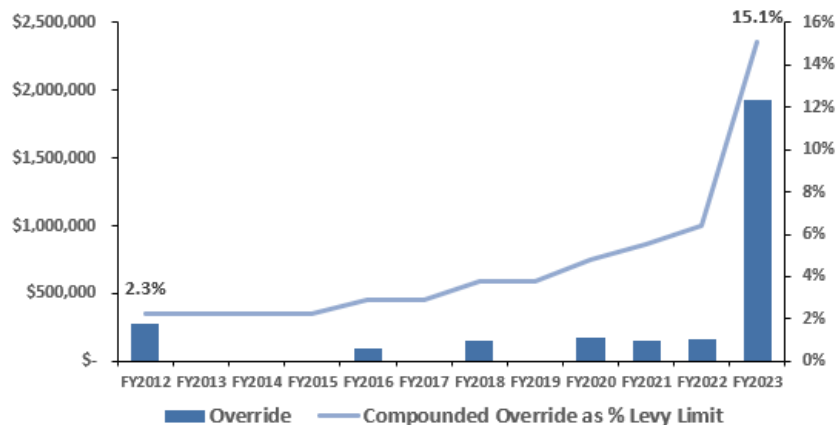


Proposition 2 ½ Overrides and Exclusions

– In addition to the automatic 2.5% increase and any increase due to new growth, communities can increase the tax base in order to supplement annual and capital budgets through voter approved overrides and exclusions. The levy limit override, which permanently increases the levy limit base, is voted for a specific purpose only for the initial year. In all subsequent years, it is included in the tax levy to use for any municipal purpose. A debt or capital exclusion is a temporary increase to the levy to finance a specific capital expenditure. The specific amount required for that year is added to the total tax levy and lasts only for the period to pay the capital acquisition or years of debt service.

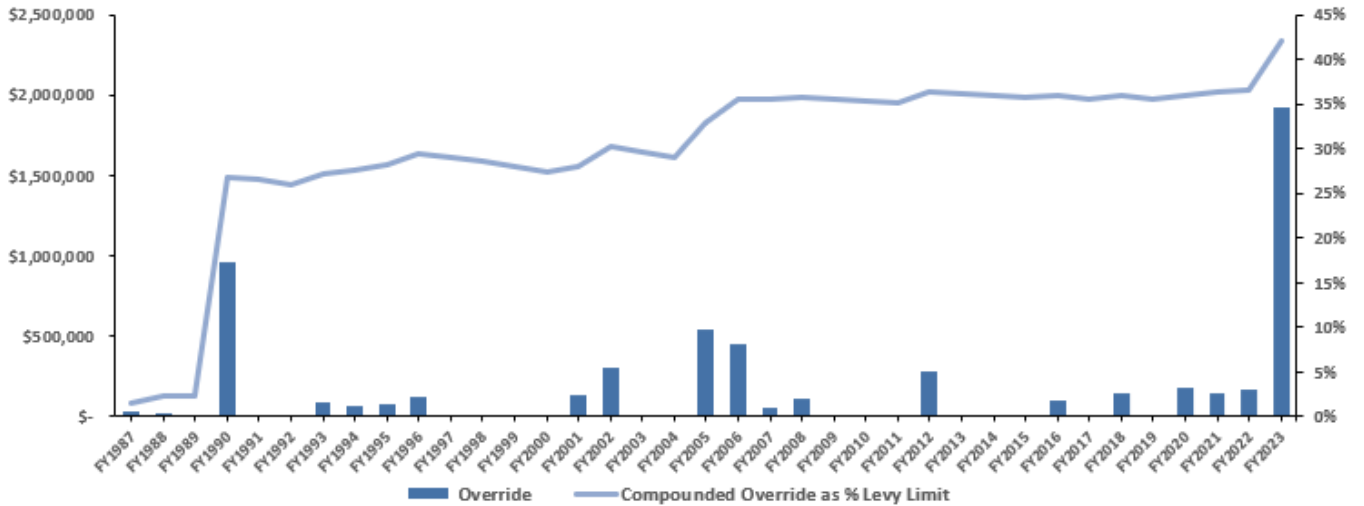
Wellfleet, over the past four fiscal years, has taxed to its capacity and has increasingly relied on Proposition 2½ overrides fund operations. This growing dependance on overrides, as well as debt exclusions for capital purchases, is a cause for financial concern. In the last 12 years, taxpayers have approved 15 of 19 override requests, including six for the current FY2023 budget. The town’s permanent overrides in total represent \$3.1M, or 15% of the \$20,540,850 tax levy base, reflecting the effect of compounding. The purpose and value of the overrides coincides with the largest portions of the budget – education and public safety.

Overrides as Percentage of Tax Levy Base FY2012 – FY2023



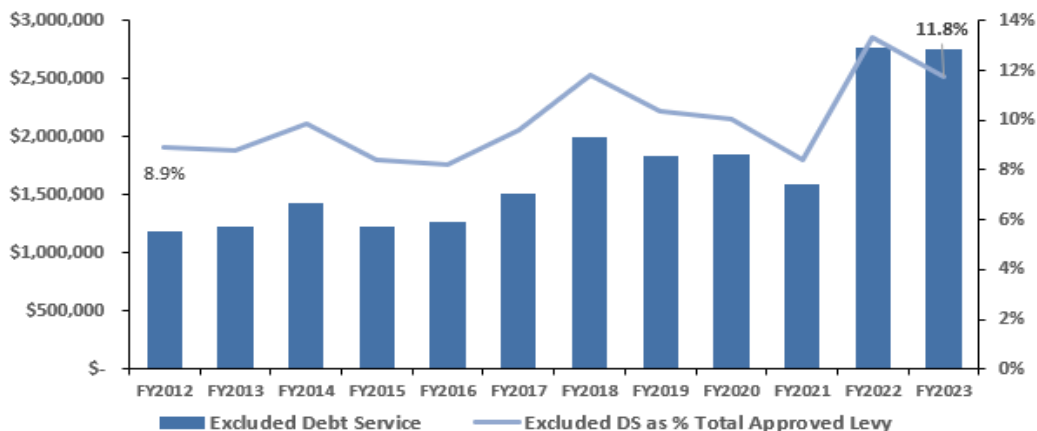
A look further back to the first override in FY1987 reveals a long history of reliance in excess of the tax levy. The town added to the base in 20 of the last 37 years, totaling \$8.6M or just over 42% of the levy.

Overrides as Percentage of Tax Levy Base FY1987 – FY2023



Wellfleet’s debt exclusions over the years have funded new buildings, renovations, vehicles and equipment, and water infrastructure. Added “on top” of the tax levy, exclusions now represent an additional 12% to the total tax levy. Not yet reflected in the levy is the debt service on the recently borrowed \$6.5M issued to purchase the Maurice’s Campground and the just authorized \$38.1M for the Nauset Regional High School renovation and expansion.

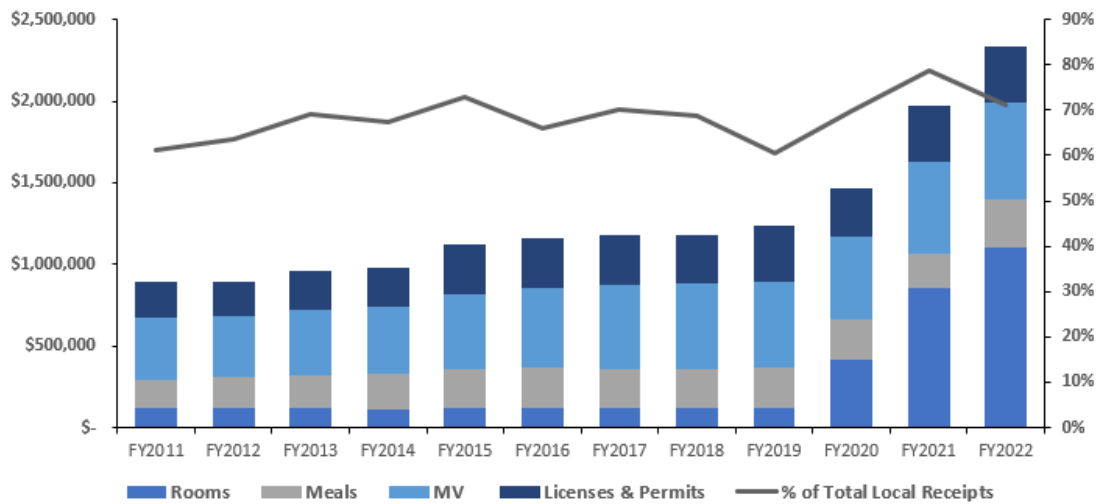
Debt Exclusion as Percentage of Total Tax Levy FY2012 – FY2023



Local Receipts – Local receipts are locally generated revenues other than real and personal property taxes that include motor vehicle and other excises, penalties, interest, investment income, fees, and charges. Local receipts generally reflect the health of the local economy and are a source of new revenue. In the last ten years, Wellfleet’s local receipts have more than doubled and currently

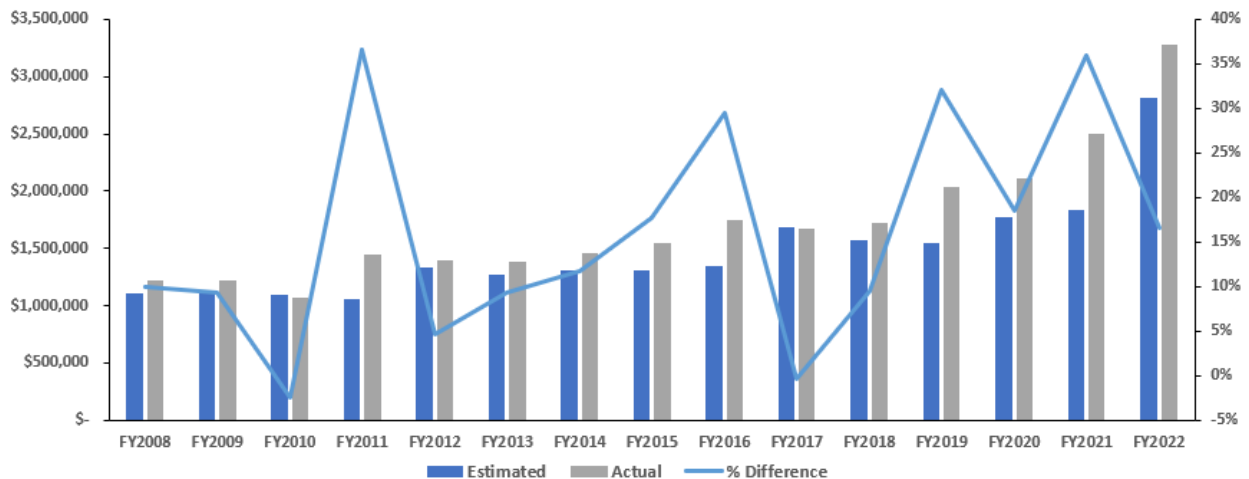
represent 9% of the total operating budget. Counter to the expectations that certain revenue, like rooms and meals tax money, would be heavily impacted by the COVID-19 pandemic, revenue associated with the town’s robust tourism and recreation eclipsed motor vehicle excise as the largest portion of Wellfleet’s local receipts. This trend first accelerated in FY2020 when room occupancy excise began being applied to short-term rentals, and then again when residents voted to raise the room occupancy tax from 4% to 6% beginning in January 2022. The largest four sources of local receipts consistently represent close to 70% of total available local receipts revenue.

Largest Sources of Estimated Local Receipts FY2011 – FY2022



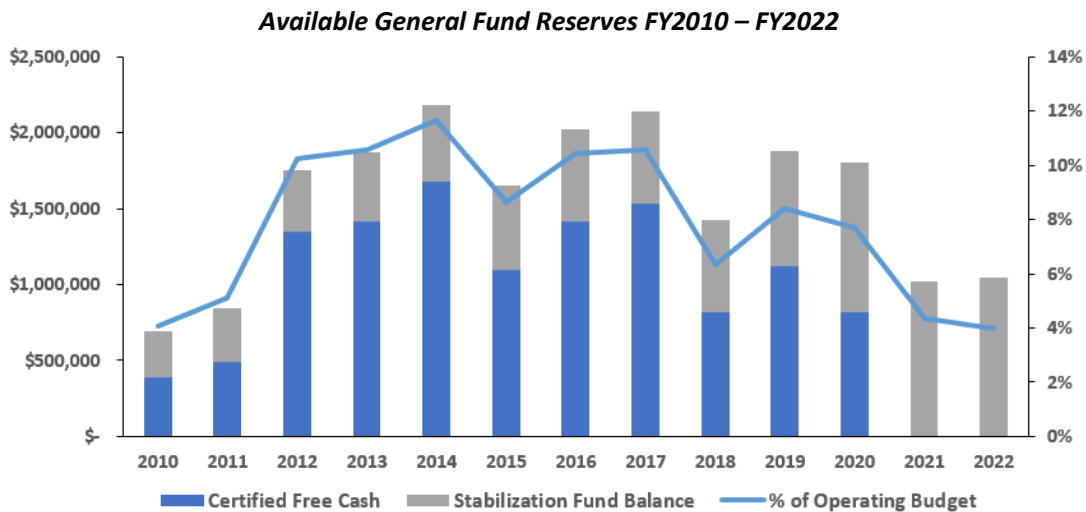
Local receipts have a direct effect on a community’s fund balance. Wellfleet’s budget process generally has resulted in actual revenue in excess of estimates, thereby creating a positive year-end result.

Estimated versus Actual Local Receipts FY2008 – FY2022



Financial Reserves – Wellfleet’s reserves consist primarily of general “rainy day” general stabilization funds and free cash. Free cash represents the remaining, unrestricted funds from operations over the previous fiscal year including any unexpended prior year free cash, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. Free cash must be certified annually by the Division of Local Services before it can be appropriated by town meeting.

As a matter of best practice, it is recommended that combined reserves amount to at least between 10 - 15% of the operating budget, or more for smaller towns. Wellfleet has been proactive in building its reserves over the last several years, beginning with a low of less than 3% in FY2007 to a high of 11.7% in FY2014. The town has exceeded the generally recommend target balance until recently when it appropriated over \$500,000 to fund the FY2022 general fund budget and \$125,000 was used to cover one-time expenses. This, coupled with two years of no free cash, leaves the balance significantly lower than the recommended target. In anticipation of getting its free cash certified, a town meeting article to transfer a portion of free cash to the general stabilization fund was on the two most recent town meeting warrants to replenish these funds. A similar article is expected to appear at a town meeting once free cash is certified.



To supplement Wellfleet’s general stabilization fund, the town has authorized three special purpose stabilization funds: capital, harbor dredge, and marina. A funding source for the capital stabilization fund was not initially identified and there have been no transfers to the fund to date. However, a Home Rule Petition has been filed to establish a real estate transfer fee¹ from which the first \$50,000 collected each fiscal year will be deposited into this fund with remaining funds go into the town’s affordable housing trust. The marina stabilization is funded annually through the corresponding

¹ Bill H4648 stalled in the last legislative session waiting for a second reading (May 25, 2022)

enterprise fund, while the harbor dredge fund has not received new funds since an initial \$10,000 infusion. This year, Wellfleet has authorized two additional special purpose funds, one for affordable housing and the other for mixed income housing. Indented to support Wellfleet's housing initiatives, these funds will split the revenue generated from the community impact fees for short-term rentals².

Conclusion

Plagued by high employee turnover and lack of definitive leadership, Wellfleet has been severely impacted across all of its financial offices that has resulted in years of distress, inconsistent financial planning, and a loss of community confidence. One recent bright spot was the AAA rating upgrade award by Standard and Poor's, but this was largely driven by the community's overall wealth factors and is not indicative of the deeper financial management issues. The ongoing struggle with finding and retaining personnel in key finance positions and the town administrator role has impacted its ability to create the annual budget, fund capital purchases, set the tax rate, and present timely, accurate financial reporting.

While these challenges are not likely to be resolved quickly, there appears to be a genuine interest among policymakers and leadership alike to bring financial and operational stability to the town. Wellfleet's recent hire of a seasoned local official as its town administrator brings new energy and a fresh, local perspective. Likewise, the hiring of a human resource professional is a further step towards addressing personnel matters and will allow the treasurer to focus more on the office's core responsibilities. The town's willingness to engage consultants with vast amounts of municipal government experience in various financial roles has supported the financial operation and provided much needed training. However, there needs to be a change whereby instituting standards and fostering an environment of accountability matters to restore pride and confidence in Wellfleet. This will require all involved, from top policymakers on down, to display a sense of diligence and responsibility for changing the narrative and restoring the community's financial management reputation.

On the following pages, we offer operational and financial best practice recommendations designed to improve operations, which will assist with the rebuilding of public confidence.

² 3% impact fee effective October 1, 2022

RECOMMENDATIONS

FINANCE DEPARTMENT

1. Appoint a Finance Director and Consolidate Financial Operations

Wellfleet, first and foremost, needs to focus on the town's finances and financial operations. Therefore, we strongly recommend the selectboard appoint an experienced finance director dedicated to providing oversight of the town's financial management activities. The ongoing struggle of Wellfleet's financial team to meet its statutory responsibilities and achieve departmental goals are well known. As a senior manager, the finance director's overall mission would be to coordinate the town's financial management, monitor its fiscal health, analyze data for long-range planning, and keep policymakers and administration continually apprised on financial activities. Along with supervising and directing the activities of finance department managers, this individual would assist the town administrator with developing the annual operating and capital budgets, along with drafting, analyzing, and advising on financial policy and strategies and being an expert resource for the selectboard. Coalescing the accounting, treasury, collection, and assessing functions, a finance director would:

- Coordinate the work of the finance team
- Provide timely direction and oversight on financial matters
- Ensure the regular reconciliation of cash and receivables
- Maintain effective internal controls
- Ensure timely fulfillment of internal and external reporting requirements, including to DLS
- Manage the custody, collection, disbursement, and investment of town funds
- Oversee payroll and accounts payable in conjunction with the treasury office
- Advise and support boards, committees, and policymakers on financial matters
- Facilitate the annual audit engagement and develop and monitor corrective action plans
- Assist the town administrator in preparing multiyear revenue and expenditure forecasts
- Monitor progress of capital projects
- Compile personnel costs for the annual budget

We propose Wellfleet achieve this in two phases. In towns the size of Wellfleet, the financial director often serves in a dual role combined with either the town accountant or treasurer and/or collector. However, because of the fragility of Wellfleet's financial operations, someone functioning in a dual role is ill-advised at this time. Alternatively, we suggest that the town start by seeking out and sharing a seasoned finance director from a nearby community or by engaging a retired professional with the

necessary time and experience. Possessing leadership, teambuilding, strategic management abilities, and working knowledge of the VADAR financial management system, an experienced finance director would not just supervise the finance team, but mentor each of the office holders so that they can work independently to achieve their office's goals and collaborate to serve the finance team.

Next, we recommend that Wellfleet formally create a consolidated finance department with the offices of the accountant, treasurer, collector, and assessor all under the supervision of the finance director. By codifying this change, the town will display a recognition to the importance of interdepartmental coordination and a dedication to normalizing the financial operation. We suggest Wellfleet work with their town counsel to formally recognize the finance department in the charter and associated bylaws. A job description should also be developed.

2. Combine the Treasurer and Collector Offices

We recommend that the offices of the treasurer and collector be combined. A large and growing majority of communities in the Commonwealth, as well as every other Barnstable County community, have adopted this combined structure because of the parallel job responsibilities and efficiencies by having all receipts collected, counted, posted, deposited, and managed in one central place. A combined treasurer/collector's office helps to ensure that all appropriate internal controls are being properly and consistently applied to mitigate the risk of errors or fraud. This structure in Wellfleet would require an appointed assistant treasurer/collector and possibly an additional staff member to meet fluctuating office demands, especially during tax time. Fundamentally, the combined office will allow the town to segregate cash management functions, provide coverage during vacations or other employee absences, and with proper training, provide a natural succession plan for the treasurer/collector.

We have found that establishing the finance director and combined treasurer/collector positions generally gives a community a competitive edge in recruiting and maintaining well-qualified managers. Because of the difficulties finding candidates due to location, cost of living, and an overall state-wide shrinking pool, the positions are usually more attractive with the management of greater work volumes, responsibilities, and subordinates, thereby justifying a higher salary. Fortunately for Wellfleet, its town charter already recognizes a single treasurer/collector position. We provide an organization structure and key responsibilities for a consolidated department in the Appendix.

3. Seek Municipal Finance Professional Development and Training

We recommend that Wellfleet develop a proactive and systematic approach to professional development and training for its finance team and related finance boards and committees. With

appropriate investing of time, energy, and funds into employee development, the finance team can improve customer service, create efficiencies through appropriate delegation, and assure smooth succession planning. Expanding training to related boards and committees fosters a team approach with various offices by establishing an understanding of their responsibilities and interrelationships.

The town administrator should meet with the finance department employees individually to discuss the breadth of their skills and identify any gaps in an employee's knowledge. These meetings can ultimately serve as a foundational rung on a career ladder, marking progress throughout an employee's continuing professional development. The departments should also dedicate time to hands-on cross-training, especially in critical areas like payroll processing and interdepartmental reconciliations.

Furthermore, DLS recommends the town support attendance at conferences and trainings provided by the associated local government professional organizations (i.e., Massachusetts Collectors and Treasurers Association, Massachusetts Accountants and Auditors Association, Massachusetts Association of Assessing Officers, and their regional counterparts). Likewise, we encourage attendance at general trainings sponsored by the Massachusetts Municipal Association, as well as those specifically offered to selectboards, town managers and administrators, and finance or warrant committees. Training provided by DLS, including online resources available in the [Municipal Finance Training and Resource Center](#) and in-person at events like the Municipal Law Seminars, are another valuable resource for all finance officials. By attending the meetings and trainings of these groups, municipal public servants can gain concrete, functional information, receive instruction on new best practices in their fields, and interact with and exchange practical tips with their local government.

4. Implement Standard Financial Reporting

Wellfleet's policymakers, committee members, and department heads would benefit from regular financial reporting. We recommend that the town administrator and accountant meet to discuss what reports should be generated, to whom they should be sent, and by what method. At minimum, these standards would encompass monthly reports of expenses and periodic reports of revenues. We further recommend that the town administrator and a member of the finance team hold quarterly financial briefings at a joint meeting of the selectboard and finance committee. By holding periodic briefings tied specifically to Wellfleet's finances, both boards will be better informed as where year-to-date budget to actuals stand, the town's overall fiscal health as measured by specific indicators, and any other issues or future matters that might impact the community's financials.

- Monthly reports - Required by statute, monthly expenditure reports are used to apprise department heads and policymakers of running expenditure totals by department in

relation to the total amounts appropriated for each. These reports are integral to analyzing, prioritizing, and managing spending, particularly as the fiscal year is ending and unexpended turn backs emerge. Ideally, all departments, committees, and boards with spending authority should have access to their VADAR accounts. The town accountant should send monthly emails alerting department heads to review their expenditure reports online and, in return, confirm their review along with identifying any discrepancies within a set two-week timeframe. For departments without access to the VADAR, the town accountant would send the same notice and the department's system generated report. Information the departments should review include the general, special revenue and enterprise funds.

- Quarterly revenue reports - Comparing actual revenue collections to budgeted revenues for departments and policymakers on at least a quarterly basis provides useful management information. Such reports offer meaningful insight into fiscal year trends, give early warning of revenue shortfalls, excesses, and assessing the need for midcourse budget adjustments. Revenue data is valuable for making forecast estimates during the budget process.
- Annual reporting – Several reports are required by DLS related to closing the town's books including snow and ice data sheet, community preservation reports, combined balance sheet and supporting documents, Schedule A, statement of indebtedness, Treasurer's year-end cash report, cash reconciliation report, and schedule of outstanding receivables.

The annual audit of the town's financial records is intended to verify that these records are maintained in accordance with the law, but also reassure residents and build public confidence in government. We recommend the selectboard and finance committee hold an audit exit conference to review the audit report, findings, and management letter comments. Directed by the Securities and Exchange Commission, the town, by issuing bonds, has an obligation to meet annual continuing disclosure standards that reflects the financial health and operating condition of the town or occurrence of events that may impact key features of the bonds.

Additional joint selectboard-finance committee meetings can serve as a platform to measure metrics specifically tied to Wellfleet's overall financial health or to review and reinforce the town's formal financial policies and what might need to be amended. Another opportunity for financial reporting is at the beginning of the budget season where the town administrator and town accountant present the five-year forecast. By discussing and responding to questions about the relationship between town's projected revenues and expenditures for the upcoming year, the selectboard and finance

committee can help inform the town administrator as to what the budget message to departments might look like for the ensuing year.

5. Institute Financial Management Team Meetings

We recommend that the town administrator hold regularly scheduled financial team meetings. Financial management team meetings institute a layer of oversight by providing the opportunity to discuss the town's fiscal issues and review progress on reconciliations, reporting, and other financial goals and objectives. For example, meetings would be an opportunity to review upcoming deadlines and responsibilities surrounding town meetings, financial forecasting, revenue and expenditure monitoring and adjustments, capital financing, free cash certification, and year-end closing. These meetings reinforce a team environment by enhancing lines of communication and providing a forum to raise and resolve interdepartmental issues while underscoring how each office is dependent on the performance of the others.

Led by the town administrator or finance director, meeting participants should include the town accountant, treasurer, collector, and town assessor. Occasions may arise in which additional managerial, analytical, or administrative support is necessary and might include the town clerk, human resource manager, IT support or other department heads as needed.

FINANCIAL PLANNING

Wellfleet's charter details the annual budget process. The budget process begins with the selectboard's requirement to issue a budget policy statement articulating the town's priorities and goals for the upcoming budget process and a comprehensive annual budget calendar. The charter gives the town administrator full responsibility for assembling, preparing, and then presenting the annual operating budget to the selectboard and finance committee.

The town administrator is expected to prepare a budget message consisting of an outline of the proposed financial policies of the town for the ensuing fiscal year, describing the important features of the budget, identifying any major changes from the current year financial policies, expenditures and revenues, together with the reasons for such changes, a summary of the town's debt position, and any other material as may be deemed appropriate.

The selectboard then meets to adopt an updated budget policy that is accompanied with a set of fiscal management goals and a detailed calendar with actions, milestone dates, and responsibilities. For FY2022 and FY2023, the interim town administrator prepared a simplified budget analysis describing the revenue sources and highlighting certain proposed expenditure or service changes, including any challenges for current and proposed budgets. Departments then present their budgets to the selectboard for approval.

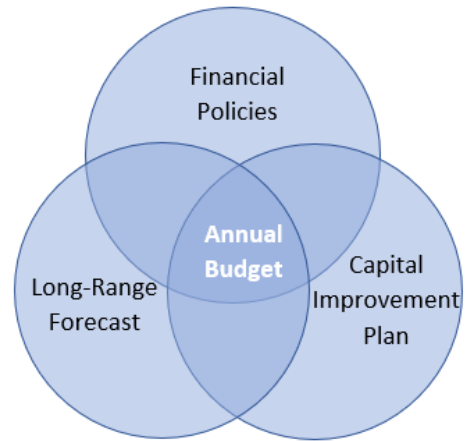
The town administrator consults with the finance committee, which is responsible for developing the annual five-year Capital Improvement Plan³. The Plan includes a summary of its contents, a list of all capital improvements proposed to be undertaken during the next five fiscal years, together with supporting data, cost estimates, methods of financing, and recommended time schedules, and estimated annual cost of operating and maintaining the facilities constructed or acquired.

While the charter and policy requirements are being met, Wellfleet's budgeting process has been very difficult over the last several years, primarily because the town's budget routinely exceeds the available resources necessitating tax levy overrides. Moreover, the capital budget is typically funded using debt exclusions, which further increases the financial burden on taxpayers. The following recommendations center on the town's long-term financial planning.

³ Wellfleet's charter Section 7-5 requires a five-year plan. The recently adopted Capital Improvement Plan policy calls for a ten-year plan.

6. Develop a Financial Plan

In an effort to establish a sustainable financial strategy, we recommend that Wellfleet develop an integrated multi-year financial plan. The plan should bring together formal financial policies, the analysis informed by the long-range financial forecast, and the capital improvement plan, resulting in the presentation of the annual budget. By connecting these foundational elements, the budget can adequately deliver on the town's needs and priorities and support community programming while mirroring the town's values. Ideally, this should all be part of the finance director's responsibilities. Absent that role it should fall to the town administrator.



Financial Policies: Policies provide instructive guidance for promoting sound, consistent fiscal planning, and effective financial management. In September 2022, the selectboard adopted a series of financial, human resource, and personnel management policies as a single comprehensive document. We commend the board for taking this important step for Wellfleet's financial stability. More important than having policies, however, is ensuring that they are developed in such a manner that they can be adhered to as a way to maintain consistent financial management and proper internal controls. DLS has prepared financial policies for a number of communities, which may be found [online](#), and support the town's effort, so we make the following recommendations to clarify and strengthen the adopted policies.

- **Accountability:** Clearly designate responsibilities for the actions in each policy. Make sure the positions detailed in the document exist. For example, several policies reference a treasurer/collector. Currently, the town does not have this title role.
- **Benchmarks:** Define the parameters and metrics for meeting policy goals.
- **Streamline the document:** Limit the financial management document to financial policies directly applicable to the financial offices. While the other policies are important (e.g., human resources, personnel planning) and may have a financial component, the financial planning and operations document should focus on core financial activities.
- **Eliminate redundancies:** Review the policies for repetitive activities. For example, reconciling the cashbook to the bank and reconciling receivables are in two separate policies.
- **Summarize:** Several policies call for the appropriation or reservation of funds and targets. The total scope of reserves is unknown when spread across multiple policies. Additionally, the capital financing and debt management each have targets. If the policies are not taken together, the point may be lost.

- Distribution: For any adopted operational policy, ensure that it is distributed to all applicable parties, including all relevant department heads.
- Effective date: Maintain a schedule to review the policies, at least every two to three years to keep them current and applicable.

Capital Improvement Plan: Several policies regarding capital planning are included in the recently adopted manual. A comprehensive capital planning program should be shaped by clear, consistent standards and spending priorities. As one of the more important responsibilities of local government, an effective capital plan serves as a tool to manage risk and maximize the value of town assets by maintaining service levels, protecting the health and safety of the community, supporting future development and growth, and enhancing the local quality of life. The responsibility for developing a multi-year capital plan is given to the town administrator based on standard set by the finance committee. Additionally, the town administrator, with the assistance of the DPW and applicable inspectors, is tasked with maintaining an inventory of all capital assets and inspection of all town buildings.

A FY2023 selectboard goal is to establish a capital planning committee. We agree with this selectboard objective and believe such a committee will help to define the capital program and develop a coordinated strategy for the town’s long term capital needs. Capital improvement committees appear to work best when members include a mix of town department heads and knowledgeable residents, with the town administrator as an ad hoc member. The responsibilities of a capital planning committee and process might include, but not be limited to:

- Maintaining the inventory of existing town facilities, real estate, and other assets (condition, life span, utility, maintenance schedule)
- Determining the status of previously approved capital projects
- Assessing the town's financial capacity (available reserves, borrowing limits)
- Soliciting, completing, and evaluating project requests and recommending projects in order of priority
- Developing a financing plan for recommended projects consistent with policy targets and goals
- Adopting a long-term capital improvement program and updating it annually
- Monitoring approved projects

Long-Range Forecast: A multiyear forecast serves a useful management and policymaking tool that allows local officials to evaluate the impact of various government decisions and policy choices over time. It includes reasonable assumptions that must be evaluated and updated to reflect changing circumstances and events thus providing a fair representation of the town’s fiscal future to help guide

the budget and strategic planning process. It offers an opportunity to evaluate the impact of budget choices, including wage and benefit changes proposed during the collective bargaining process. In fall 2021, DLS developed and presented a comprehensive five-year forecast for the town. Unfortunately, Wellfleet was unable to provide the necessary compensation data for DLS to complete the personal services portion of the template, hence this forecast has not been reviewed or used. We recommend instituting a complete forecast, either beginning with what was previously provided or using another tool. In lieu of a finance director, this responsibility should fall to the town administrator and town accountant. Adherence to the town's newly adopted Personnel Policies and Labor Contracts and Position Control & Vacancies policies will promote an accurate representation of the future personnel costs which are by far the largest segment of the operating budget. Given the town's propensity for tax levy overrides, it is imperative that Wellfleet use a well-developed forecast to facilitate long-term thinking and guide a prospective budget process in times of rising costs and economic uncertainty.

7. Publish a Comprehensive Budget Document

To be compliant with the charter, we recommend Wellfleet publish a comprehensive budget document. A detailed, transparent, and user-friendly document should identify the services to be provided, the associated funding, and the rationale behind the key decisions for the annual operating and capital budgets. This puts in writing selectboard and finance committee budget discussions, departmental missions and requests, and provides context to town meeting for large financial requests that might also require a town-wide referendum. A well-organized budget document should clearly illustrate the resources that are available for appropriation, analysis of the decisions behind the appropriation of the resources, and the impact of decisions on the long-term fiscal viability of the town.

The town administrator is responsible for producing a budget document, which was achieved to various degrees in years prior to FY2021. Reviving a comprehensive document will be a time-consuming endeavor requiring many resources. We suggest the town administrator and finance team develop a framework to build the document over a series of years, first identifying the most important components policymakers and managers believe should be transmitted to the community, then building from there. As a starting point, a list of standards laid out by the Government Finance Officers Association (GFOA) in its Distinguished Budget Presentation Award program is included in the appendix.

8. Procure New Auditing Services

Independent audits are critical to sound financial management by providing a measure of assurance that town assets are safe and handled responsibly. Wellfleet first contracted with Powers & Sullivan, LLC to examine its financial statements in FY1996. Periodically, putting this service out for competitive bidding is a sound procedural control to mitigate the risk of complacency that can develop with such a long engagement. It is good practice for municipalities to seek a fresh look at the town's bookkeeping and financial procedures by qualified outside experts.

The selectboard recently signed a one-year contract with Powers & Sullivan for the FY2022 audit, with plans to seek a different firm for future audits. Both the Government Finance Officers Association (GFOA) and Massachusetts Office of Inspector General⁴ recommend that municipalities change external auditing firms every five to eight years. We agree with this decision and recommend that the town administrator engage in a full competitive selection process to provide fresh perspective on bookkeeping and financial procedures.

When contracting for a new independent audit firm, Wellfleet should:

- Require a management letter with the opportunity to include the town's financial team response to any findings or recommendations by outlining proposed corrective action or improvement before the management letter is formally issued.
- Expand the current Report on Examination of Basic Financial Statements to an Annual Comprehensive Financial Report (ACFR) as defined by the GFOA. This report provides greater insight into the town's financial health by including summary information about the town, financial reports, and statistical information outlining financial trends, revenue and debt capacity, demographic, and other operating information.
- Compel the auditor to appear before the selectboard to discuss the results of the audit and what procedures or actions need to be taken to strengthen internal controls in the future.

9. Implement Annual Audit Corrective Action Plan

We recommend that the town implement a corrective action plan based off the results of the annual independent audit. While many of the specific findings reported in the FY2020 management letter⁵ have been addressed by the town's consultants, the root cause of the most serious issues was due to staff not performing the required functions of the positions. To avoid repeat findings and

⁴ For guidance, see the Inspector General publication [A Local Official's Guide to Procuring and Administering Audit Services](#)

⁵ As of the date of this report, FY2020 is the most current available audit.

recommendations, the town administrator and the finance team should annually formulate a corrective action plan to address all findings and recommendations. The plan should indicate the remedial steps to be taken, who is responsible for them, and when the action will be completed. They should be implemented with a sense of urgency anytime high-level issues (material weaknesses) in departmental operations are identified. The town administrator should be responsible for managing the plan and the selectboard should expect periodic progress reports.

10. Decrease Reliance on Excluded Debt

Wellfleet's primary source of capital financing has historically been voter approved debt exclusions. As a consequence, the town has no levy capacity for budgeted debt service. The town's pursuit of exempt debt as a primary capital funding mechanism is a risky strategy that works counter to desired objectives of levy stability and planning predictability. We recommend the town pursue a capital financing strategy that strikes a sound, predictable, and sustainable balance between debt and cash (i.e., "pay-as-you-go") funding options with the goal of decreasing the reliance on excluded debt.

Long-term debt is an appropriate, and within certain guidelines, the preferred source of financing for long-life assets and projects with cost thresholds that would otherwise be unaffordable to pursue in the near term. Further, the amortization of debt service over 10 to 30 years provides some equity among local taxpayers because project costs are borne among those who may move into or out of the town over time. When a town has access to the bond market at favorable borrowing rates, as is the case in Wellfleet, a low debt service budget can indicate deficient investment in capital assets.

Founded in policy, every community should establish the parameters for issuing debt, including when appropriate to issue exempt debt (e.g., for infrastructure or projects costing over \$1 million), along with a debt service ceiling to assure those expenses do not become detrimental to long-term fiscal conditions, squeeze out necessary operating expenses, or strain the affordability of taxpayers. Debt issuances should be planned for as a steady part of the community's within-levy budget with realistic, attainable goals to meet the target. It is important to maintain a prudent, consistent debt level so that as debt is retired, new debt is issued. Otherwise, the capacity to cover debt obligations within the operating budget can be replaced by other costs.

11. Adopt a Capital Targets Tool

A capital targets tool (see [template](#) on DLS' website) helps local officials monitor capital spending and policy goals by providing a means to track annual and projected spending on maintenance, equipment, and infrastructure. Strategic decisions can be made by tracking current and projected cash capital and debt service funding targets for future budget years. It serves to identify and direct

funds to reserves as debt within the levy matures. For maximum efficiency, the capital targets tool should link to the financial forecast to enable the updating of revenue projections as new information becomes available.

FINANCIAL OPERATIONS

The accountant's office has a legal obligation to maintain Wellfleet's financial books and ensure compliance with proper procedures. In doing so, the department plays a critical role in the system of internal controls and statutory checks and balances established to safeguard local assets. To fulfill these responsibilities, office personnel prepare payroll and vendor warrants, maintain a general ledger to record receipts, expenditures, and other town financial activity, and reconcile cash, receivables, and debt with the treasurer and the collector.

The town accountant is a senior-level manager and custodian of the financial records. Along with the routine daily duties, the town accountant is responsible for annual tasks of assisting with the preparation of the tax recapitulation sheet, completing the Schedule A that itemizes revenues and expenditures, and submitting the year-end balance sheet required for free cash certification. The office includes an assistant accountant who is primarily responsible for processing the accounts payable warrant.

The treasurer, as the community's cash manager, 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. Maintaining a cashbook, debt schedule, check registers, tax title and foreclosure accounts, and various logs to track balances for grants, trusts, revolving funds, and special revenue funds are essential functions of the treasurer, along with investing town funds to maximize investment income and meet cash flow needs. As a financial control, the treasurer is obligated to reconcile cash balances, debt, and payroll deductions on a regular basis both internally and with the accounting office. Wellfleet's payroll and employee insurance benefits are also handled through this department.

The town collector, along with the duties of a tax collector to receive property taxes, betterments, special assessments and charges added to and committed as taxes, is authorized to collect any other accounts due to the town. The collector has the responsibility to make certain that collections are properly counted, posted to taxpayer accounts, and turned over to the treasurer, and to pursue delinquent taxes using various methods and services. Critical to the position is maintenance of an up-to-date receivable control that is reconciled internally and then externally with the accountant on a monthly basis. Wellfleet issues property taxes on a semiannual basis, with bills expected to be mailed by October 1 and April 1.

The town accountant, treasurer, and town collector are all appointed by the town administrator. The charter permits one person to serve as both the treasurer and town collector, deeming it a single position.

The assessing office is directed by a selectboard appointed three-member board of assessors, with one member designated as the town assessor to staff the office and perform the daily responsibilities. This office is responsible for valuing all real and personal property in town and generating the commitments authorizing the collector to issue and collect real estate taxes and motor vehicle excises. The assessors annually review property assessments to ensure they reflect full and fair cash value, so that residents are taxed equitably and accurately. In addition, the assessors are responsible for determining the annual overlay amount, calculating annual new growth increases in the levy limit, preparing the tax recapitulation sheets and information and analysis for tax classification hearings and acting on all abatement and property tax exemption applications. Other duties of the assessors' office include reviewing land use tax incentives, updating tax maps and deed transfer information, maintaining property records, cyclical reinspection and other appraisal fieldwork, and responding to public inquiries.

Over the last few years, the town endeavored to modernize operations and increase transparency and information flow. In FY2020, Wellfleet switched to VADAR Systems financial software to manage the general ledger, added kiosks at the beaches to collect funds, and implemented online bill payments handled by City Hall Systems. In FY2021, Wellfleet began using Harpers payroll services' newly released Employee Forward Program, which is an online service where employees can access paystubs, deductions, and human resources forms.

We recognize there have been conversations regarding a conversion away from VADAR. This is understandable given the issues with both the VADAR conversion and finding an accountant who is an expert in using the software. However, we caution that the town needs a few years of stability before introducing another major change to the finances. Key to a successful conversion is beginning with complete and accurate records. On the plus side, the expectation is that by the end of FY2023 this will be completed. Without clear attention to all the financial offices, there is a likelihood that the finances will not stay this way. We suggest the finance officials review our guide to converting to a new financial system in the Appendix and carefully consider any decision to move forward.

In the following recommendations, we outline opportunities to improve the fiscal operations and procedures carried out in the town's finance-related departments. Some of Wellfleet's current operations conflict with generally accepted municipal finance best practices as recommended by DLS. Specifically, the lack of reconciliations both within the treasurer and collector functions and between those functions and the accountant are especially troubling. The lack of up-to-date reconciliations undermines the credibility and integrity of the town's financial position and cause recurring delays in closing the financial records, submission of required reports to DLS, and the preparation of the annual outside audit.

12. Conduct a Workflow Analysis and Create a Procedures Manual

We recommend the town administrator, or his designee, conduct a workflow analysis of all finance department procedures with a focus on leveraging available technology to maximize efficiencies and reduce duplicative tasks. One such process worthy of comprehensive review is payroll, ranging from time and attendance input to verification and finalization in the treasurer's and accountant's offices. Other areas warranting proper attention include revenue turnover, accounts payable warrant processing, online payment collection and reconciliation, and financial data and reporting.

This process should then be the basis for creating a procedure manual, which in and of itself can unearth previously unknown redundant controls and inform new risk assessment decisions based on the cost of sustaining particular controls or adding new ones. As initial efforts are undertaken to standardize various policies, formalizing a detailed list of responsibilities for all staff can become an invaluable operational resource. The manual should explicitly highlight internal controls and their function. These controls, which can be preventative or detective, include examples such as segregation of duties, approvals, authorizations, verifications, physical asset security, reconciliations, inventories, as well as policies and procedures themselves.

A well-conceived procedures manual provides guidance to financial management activities, serves as a reliable reference tool for staff, helps maintain services when there are unexpected employee absences, facilitates employee time-off, and supports the training of new hires. The manual should contain a combination of pertinent policies, statements of objectives, step-by-step instructions, and related software application screenshots. Once developed, these manuals should be stored electronically on shared drives for easy access so that procedures are consistent across departments for shared operations such as turnovers and purchasing. Tasks specifically referencing VADAR should be reviewed and revised by the responsible department with each VADAR update.

13. Modify and Reconcile the Cashbook

In order to have an effective system of internal controls, the treasurer is required to maintain a current cashbook and perform individual bank statement reconciliations with all reconciling items properly documented in a timely and accurate manner. The cashbook is the source of original entry for recording all receipts, deposits, transfers, and disbursements necessary for tracking the total cash position of the town. Since many accounting records flow from this primary source document, the cashbook is legally considered a permanent record and is a critical component of financial management. The absence of a complete and accurate cashbook and timely cash reconciliations creates a serious and immediate risk to the community with potentially dire consequences.

The treasurer is using an Excel cashbook provided by the consulting treasurer that is well organized and meets the rudimentary requirements to record activity. Important to any cashbook is that it follow sequential activity that can be verified against the daily bank account balances. We understand that the cashbook is up-to-date and reconciled to the banks through the first four months of the fiscal year. This is great progress over the last few years, but the cashbook is not reconciled to the general ledger. Reconciliation of the cashbook to the general ledger is the most effective internal control to ensuring the records are complete and accurate and a requirement for preparing financial statements.

If the treasurer is confident with the current cashbook and reconciliations are completed timely, then we support continuing its use. However, other options include using the cashbook included with the VADAR financial package or a stand-alone cash management system that integrates with VADAR. Regardless of platform, the cashbook must be effective for determining the town's cash status at any given time in order to provide accountability and proper management.

To achieve that, we further recommend that the treasurer update the cashbook daily to reflect the most current activity. This includes monitoring and verifying the actual bank activity to ensure the accuracy of transactions and balances. With the availability of online banking transaction and statement information, the treasurer has the capacity to view current activity and balances daily, enabling him to conduct internal reconciliations throughout the period without waiting for printed statements. Further, reconciling the total bank balance (by individual bank statements) to the total cashbook balance and identifying and documenting differences should be completed in sufficient time in order to make necessary adjustments prior to the end of the following period. These basic actions diminish the potential for unnecessary variances during external reconciliations with the accountant.

A system of regular reconciliations is necessary to maintain a consistently accurate picture of the town's cash standing. The treasurer and town accountant should institute a formal month-end reconciliation procedure to provide the town accountant evidence the cashbook is in balance. Specifically, we recommend that the procedures ensure that treasurer's cashbook balances are reconciled with the town accountant within 10 days of month's end. Copies of the bank statements should be downloaded, verified against the cashbook, and stored logically to maintain adequate records for annual audit oversight.

14. Reconcile Outstanding Receivables Monthly

We recommend that the town accountant and collector establish a monthly practice of reconciling outstanding receivables to the general ledger. The last report of reconciled receivables submitted to

DLS was as for FY2019, which was submitted 11 months after the period end. At this time, FY2022 has not been finalized with data entered by the collector and the town accountant reporting extreme variances. The treasurer also has responsibility for reconciling outstanding tax title accounts that are reported with the collector's balances. This balance also has a large discrepancy. Additionally, the FY2020 independent audit found no supporting documentation for outstanding balances reported on the general ledger. It is essential the collector maintain records for all receivables, beginning with the commitment and warrant received from the assessor and records of all collection, abatement and exemption, and refund activity.

Consistent with a previous recommendation in this section, Wellfleet's recently adopted accounts receivable reconciliation policy should be supplemented with detailed procedures to provide for formalized reconciliation of outstanding receivable balances between balances maintained by the collector and other departments as may be applicable (e.g., police details and ambulance receipts) on a monthly basis. Each month, all reconciliations between the collector and the accountant should be formally documented, attested to by both officials, and maintained on file.

Outstanding accounts maintained by the deputy collector should be included in the reconciliation procedures. We recommend the accounts and balances maintained by the collector that have been turned over to the deputy collector be reconciled on a quarterly basis at the very least. This assists in reducing the risk that activity associated with these accounts (or others) may be misstated or manipulated.

15. Audit Outstanding Collector Receivables

We recommend the collector and accountant develop a plan to perform a methodical review of the collector's receivables beginning with the FY2019 ending balances when the submission to DLS reported no variances. The monthly activity in the collector's control book beginning at that point should be verified against the updated general ledger that was completed by the consulting accountant. This analysis will bring forward the correct prior year balances to begin reconciling with the general ledger.

16. Standardize Departmental Turnover Forms

We recommend the treasurer develop and institute a standard *Schedule of Departmental Payments to the Treasurer*, or departmental turnover sheet. This should be used by all departments, including the collector, for all receipts. In lieu of direct entry by departments into the VADAR receipt system, we suggest using a turnover form created in Excel with a standard format customized by department.

Typically, the treasurer, coordinating with the accountant, creates the form which is distributed electronically to each department, board, or committee.

To assist processing, the form should contain the department name, dates, and affirmative signatures, with prefilled information for revenue codes or account numbers and descriptions. It is essential that the column for entry of the turnover amounts automatically calculates the total. Customized forms will help the treasurer and accountant post the revenues efficiently and serve as backup documentation for treasurer's cashbook entries. Furthermore, procedures should ensure that all departments provide the accounting office an original signed turnover, independent of the treasury function. This is a key element of the segregation of duties, whereby the accounting office verifies "treasury" or "receipts" batches prior to posting to the general ledger.

17. Formalize and Document the Abatement and Exemption Process

We recommend the board of assessors formalize and document the abatement and exemption processes in order to properly handle applications, report activity to the collector and accountant, and comply with state law. An abatement is a reduction in the amount of a committed tax and is used to remedy an overassessment or to claim exemptions and as way clear the town's books of uncollectible taxes. The taxpayer initiates an abatement by filing a timely notice on the appropriate [state form](#), which upon receipt, the board of assessors makes a determination. Exemptions are available to taxpayers qualifying for statutory requirements.

To accurately process abatements and exemptions and ensure the taxpayer accounts and the town's financial records are updated correctly, the assessor must ensure the following for all real, personal property, and motor vehicle excise applications:

- Application receipt is documented.
- The applicant is provided a copy of the application determination.
- The board signs all original documents in a properly called meeting and applications are securely stored.
- The community preservation surcharge is reduced in proportion to the amount of exemption or abatement.
- Approvals in the assessing system is transmitted (either paper or electronically) to the collector and the town accountant. Any updates to previously transmitted data must be clearly documented as to not process duplicative exemptions or abatements.

18. Reduce Tax Receivables and Pursue Tax Titles

The collector’s collection rate directly affects the town’s available cash flow required to provide liquidity for payroll and vendor obligations and investment of the town’s funds. We recommend that after the receivables are fully reconciled with the town accountant that the collector review the remaining balances for all prior fiscal years to move the outstanding balances into tax title. Under [M.G.L. c. 60, §37](#), a town’s lien expires 3½ years from the end of the fiscal year for which taxes were assessed or upon a recorded sale or transfer of the property, whichever occurs later. We further recommend a tax enforcement policy to detail a schedule for issuing demands, initiating the tax taking process, processing subsequent taxes, and tax title agreements.

19. Audit Tax Taking Accounts

We recommend the collector and treasurer develop a plan to perform a systematic review of all accounts in VADAR’s Tax Title application, verifying that the records at the Barnstable County Registry of Deeds agree with the treasurer’s records. For the properties in tax title, the collector should verify subsequent takings are up-to-date and the treasurer’s records reflect the updated balances. The treasurer must then work with the town accountant to verify the general ledger accurately reflects the same outstanding taxes due (receivables). As part of this audit, the town accountant and treasurer should document the tax title process to ensure all future transactions for both tax title takings (both initial and subsequent) and payments thereon are properly recorded.

20. Prepare to Set the Tax Rate Timely

Wellfleet, under the semiannual tax payment system, must set its tax rate and issue bills by October 1 in order to make November 1 the due date for the first of two property tax bills. The October 1 date has been missed in seven of the last ten years, reflecting bad policy and poor practice for a community that needs to build credibility in the way it manages municipal finances. A delay in billing also puts the town’s cashflow in jeopardy, with bills due 30 days after the mailing date.

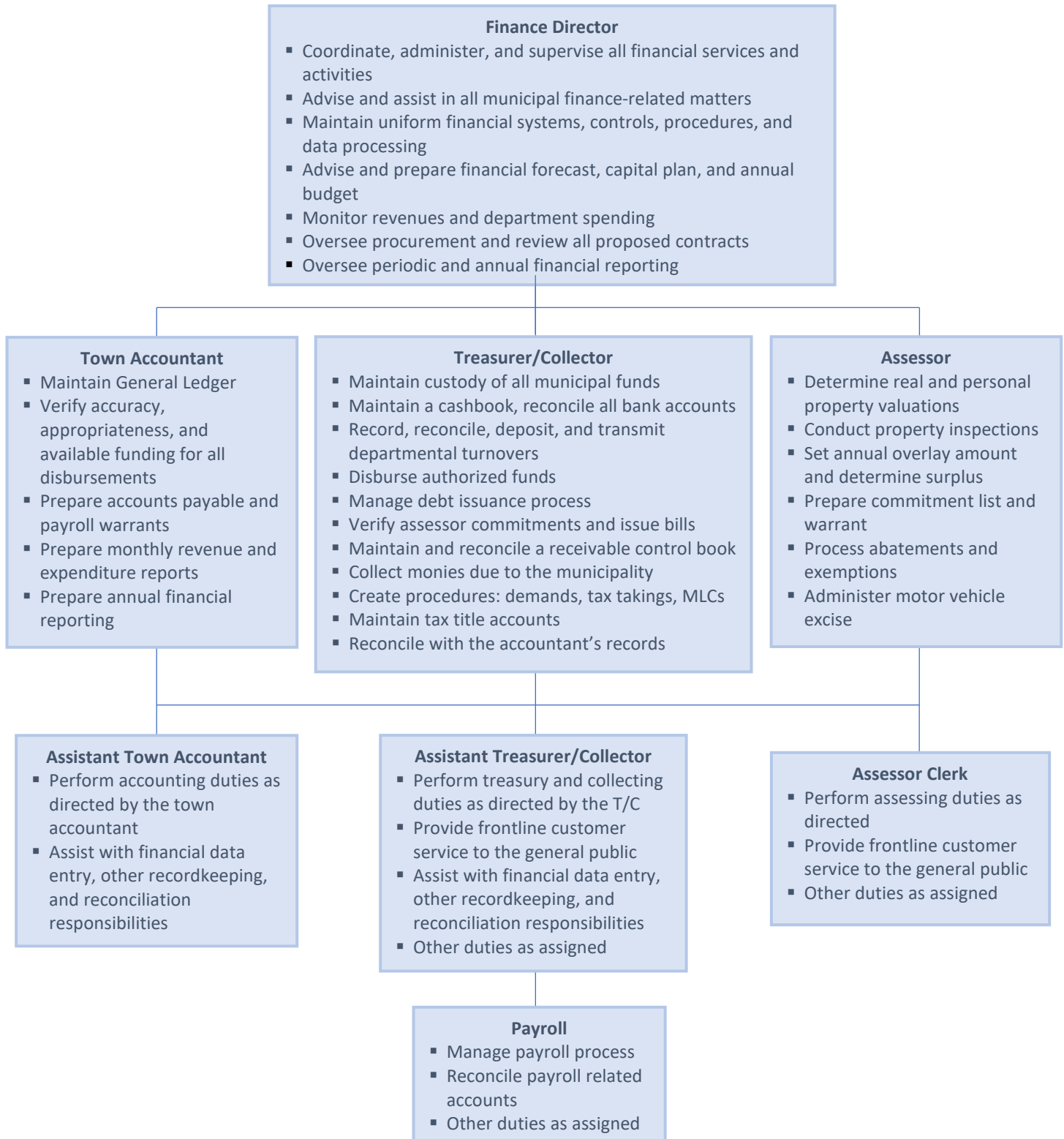
To fully complete the Tax Recapitulation Sheet resulting in a timely set tax rate, the financial team, led by the town administrator, should assign responsibilities, establish timelines, and ensure adherence to deadlines. The responsibilities should be reviewed, understood, and accepted. The schedule must include sufficient time for required DLS review and approval, commitment and warrant preparation and reconciling, and bill preparation, printing, and mailing. Lastly, a plan to

Fiscal Year	Date Tax Rate Approved	Earliest Tax Bill Due Date
2014	10/28/2013	11/28/2013
2015	10/10/2014	11/10/2014
2016	09/18/2015	11/01/2015
2017	10/03/2016	11/03/2016
2018	09/15/2017	11/01/2017
2019	09/18/2018	11/01/2018
2020	10/09/2019	11/09/2019
2021	11/10/2020	12/10/2020
2022	11/11/2021	12/11/2021
2023	10/20/2022	11/20/2022

monitor progress should be agreed to and one person should be assigned the task of guiding the Tax Recapitulation through to completion.

APPENDIX

Finance Department Structure and Responsibilities



Government Financial Officers Association Essential Criteria and Supplemental Material

Essential Criteria:

1. Table of contents
2. Statement of town-wide strategic goals and strategies that address long-term concerns and issues
3. Budget message stating priorities and issues for the upcoming year
4. Overview of significant budgetary items and trends
5. Town-wide organization chart
6. Adopted long-term financial planning policies
7. Description of the process for developing, adopting, and amending the budget
8. Summary of major revenues, expenditures, and other financing sources and uses to provide an overview of the town's total budgeted resources
9. Projected changes in fund balances for appropriated governmental funds included in the budget presentation
10. Description of major revenue sources explaining the underlying assumptions for the revenue estimates and discussing significant revenue trends
11. Budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget
12. Financial data on current debt obligations, describing the relationship between current debt levels and legal debt limits and explaining the effects of existing debt levels on current operations
13. Summary table of personnel or position counts for prior, current, and budgeted years
14. Description of activities, services or functions carried out by individual departments
15. Performance measures evaluating departmental goals and objectives

Supplemental Information:

- Description of all funds that are subject to appropriation
- Narrative and graphics showing the relationship between departments and funds
- Explanation of the basis of budgeting for all funds
- Summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year
- Long-range financial forecast for all major funds
- Department goals and objectives

- Community profiles providing statistical and supplemental information describing the town and community
- Glossary of all terminology, abbreviations, and acronyms not readily understandable
- Charts and graphs highlighting financial and statistical information

Steps to Consider when Converting Financial Management Systems

Purchasing a new financial management system takes a team effort—internal staff, the software vendor, and potentially specialized consultants—to plan and execute a software conversion efficiently and effectively, while also performing ongoing daily financial office work. When deciding such a move, the community should consider the following.

Contact Other Communities: Reach out to communities that have converted to the proposed system to discuss the planning process, successes, and things they would have done differently.

Create a Timeline: Work with the vendor or consultant to develop an implementation schedule that balances ongoing operational needs, while allowing adequate time for the conversion and enough training for each module. Factors to consider are the services offered by the vendor, time requirements, how much data will be brought into the new system, and an allowance to reconcile the data across the two systems. The timeline should be module specific to ensure the data quality is checked and the system is fully implemented before moving onto the next module.

Review Chart of Accounts: Review the chart of accounts to make sure that it is designed to meet the uniform standards for financial reporting, budgeting, and accounting. Work with the vendor and external auditor, if applicable, to make sure the chart of accounts provides for a comprehensive, flexible, and systematic arrangement of accounts and adequate levels of detail for use in recording and reporting financial transactions, programs, and activities.

Research/Close Older Accounts: Review all accounts with department heads to determine which accounts should be closed prior to converting to a new financial management system. This should be a collaborative effort between the accounting officer and the chief administrative officer and/or finance director.

Prioritize Essential Modules: Identify modules that should be implemented and tested first to ensure they are fully functioning sooner than later. Key among these is revenue entry to enable independent recording and tracking of revenue transactions and the payroll system to record time and attendance, code and calculate payroll types, and track accrued absences centrally and accurately.

Require Conversion Documentation: Develop a detailed crosswalk of accounts, documenting old and new account structures, as well as prior system and new system balances. The crosswalk should be developed before the conversion begins and updated as any changes are made during

the process. This documentation is important with a change in the chart of accounts and closing of older accounts.

Schedule Training: Make sure initial and ongoing training is scheduled. Following the vendor's recommended training guidelines, instruction on the functionality and features of the new system will lay the cornerstone for understanding how it is designed, integrated, and best used towards continuous improvement in the workflow process.

Confirm Sufficient Funding: The project budget should include supplemental funds for potential change orders, unforeseen conversion issues, staff training, and required post-conversion support not covered by the original contract. An unfinished conversion is not a successful conversion.

Ongoing communication with the vendor following the conversion is important. The ultimate success of any product depends on the users' ability to use it as expertly as possible. Post-implementation, the team will identify areas of success, but also recognize issues that require additional work and follow-up training needs. With appropriate time and attention from the team, the new system can meet the intended goals of the community to streamline financial management activities for more efficient operations.

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