



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

December 11, 2017

Diane Vayda
Board of Selectmen, Chair
Town of West Brookfield
2 East Main Street
West Brookfield, MA 01585

Dear Ms. Vayda,

At the request of the board of selectmen, local officials sought assistance through a Community Compact Initiative to develop a more robust budget document. However, during our initial conversations with staff, we were made aware of numerous internal control weaknesses, discrepancies between collector and taxpayer records, turnover in financial offices, lack of cooperation among local officials, and a growing concern over setting the FY2018 tax rate timely. For these reasons, selectmen agreed that the town would benefit more from an assessment of its financial practices than the need for an improved budget document.

West Brookfield's town accountant retired in December 2015, was brought back on an interim basis, and subsequently resigned in January leaving a vacancy in the position. Then in June, the tax collector abruptly resigned due to growing resident frustration over the administration of delinquent motor excise accounts. Based on our observations, there also appears to be significant tension between the executive secretary and the town's contracted accountant and tax collector, which only serves to further undermine the ability of these offices to carry out basic responsibilities and operate effectively. Additionally, we discovered numerous deficiencies in the town's financial practices increasing the risk that misstatement due to error, misuse, or fraud may occur and not be detected. Among others, these include missing, delayed, and illegally intercepted tax payments, a weak collection rate, and a significant backlog in cash and receivable reconciliations. As a result the town cannot safeguard itself from fraudulent activities or adequately manage cash flow to meet financial obligations.

Since at least 2013, the town's outside auditor has cited the need to improve internal controls, perform timely reconciliations, and address outstanding receivables. Notwithstanding these critical

issues, the town must meet its statutory responsibilities to set a tax rate and issue third-quarter bills. All told, we find the town lacks a strong, centralized financial management structure, team cohesiveness, effective communication, interdepartmental coordination, and management oversight.

Attached to this letter, we outline our recommendations for West Brookfield. Chief among them are the need to perform a forensic audit and to seek outside assistance to reconcile cash. We also recommend that the town develop sound financial management policies and procedures to strengthen internal controls, address recordkeeping flaws, and restore public trust in local government.

We take these concerns seriously as the current condition of the financial records and the lack of reconciliations may delay free cash certification by the Division of Local Services and the town's ability to submit their Schedule A report. If we may be of any further assistance, please feel free to contact Zack Blake at 617-626-2358 or blakez@dor.state.ma.us.

Regards,

A handwritten signature in black ink, appearing to read 'Sean R. Cronin', with a stylized flourish at the end.

Sean R. Cronin
Senior Deputy Commissioner for Local Services

CC: Philip Landine, Board of Selectmen
Deborah Provencher, Board of Selectmen
Mary Jane Handy, Director of Accounts
Zack Blake, Bureau Chief, Technical Assistance Bureau
Mary MacKinnon, Project Manager

Recommendations

Perform a Forensic Audit: A forensic audit differs from a financial audit in that it scrutinizes financial records and reviews existing internal controls designed to safeguard town assets. It may determine if anyone has exploited weaknesses to misappropriate assets for personal gain. This is separate and distinct from the town's annual audit which ensures that financial statements fairly present the town's financial position at fiscal year-end.

Complete Timely Reconciliations: The town accountant confirmed that cash and receivables have not been reconciled to the general ledger since June 30, 2017. This lack of up-to-date reconciliations undermines the credibility and integrity of the town's financial position and may delay closing of the FY2018 financial records. Given the extensive deficiencies identified in the collector's office following the resignation of the former collector, we recommend the town seek outside assistance to complete the cash and receivable reconciliations from July 1 to present. Once current, internal control policies and procedures should be adopted that require the treasurer, collector, and town accountant to reconcile timely and to submit proof of the reconciliation to the board of selectmen by the 20th of the following month.

Strengthen Internal Controls:

Eliminate Mail Deliveries to PO Box 853 – Local officials should take the following actions to prevent tax payments from being intercepted and fraudulently cashed through a local PO Box.

- Obtain a new post office delivery box from Century Bank's lockbox division
- Update tax bills to include the new post office box number
- Issue a public service announcement alerting tax payers to use the new box number
- Notify Postal Inspection Services of the fraudulent activity
- Seek assistance from the Massachusetts Office of the Inspector General to stop reoccurrence of the fraudulent activity
- Consult town legal counsel to recover damages from these fraudulent activities

Install Drop Boxes – The collector's office is open to the public 16 hours per week. When closed, taxpayer's often leave payments under the office door, which increases the risk of missing or lost payments. The town should install a drop box at town hall (e.g., collector's office door and front door of town hall) and affix a door sweep at the collector's office to prevent payments from being slid under the door. A notice should also be publicly displayed stating that all *cash payments* can only be presented in person during operating hours.

Refuse Deputy Collector Account Payments – The town should discontinue collecting payments on accounts committed to the deputy collector. The collector and deputy collector should also reconcile outstanding receivables monthly and submit signed proof to the board of selectmen each month.

Set Cash Payment Limit – To minimize risk, towns are increasingly establishing policies to limit the amount of cash accepted for financial transactions. We recommend the town consider adopting a policy that limits cash payments to \$100 or less.

Complete Tax Rate Certification: Local officials must address issues involving communication, coordination, and clarity around roles and responsibilities in completing the town’s FY2018 tax rate recapitulation. In doing so, the town’s financial team, including the town accountant, treasurer, collector, board of assessors’ chair, and advisory board chair, agreed during our meeting on November 20, 2017 that they would take the following corrective steps:

- Input the tax recapitulation form and accompanying schedules by November 30 [Completed]
- Accelerate the property classification hearing from December 19 to December 5 [Completed]
- Organize resources to generate, print, and mail tax bills before December 31

Going forward, the financial team, led by the town accountant, should meet on a monthly basis to develop goals, assign responsibilities and deadlines, and monitor progress of the town’s financial operations.

Administer Outstanding Delinquent Motor Excise Receivables: The previous tax collector neglected to pursue delinquent motor excise accounts effectively. As a result, an excessive number of warrants were issued to the deputy collector, a large number of which were issued in error due to flawed record-keeping. The town’s lack of a clear and definitive plan for rectifying these errors is also causing frustration among residents. Therefore, the town should develop a collection program that protects the town’s fiduciary interest by clearly defining timelines and procedures for the public to follow to remedy the delinquent accounts, including how it will accept payment or require proof of payment on accounts previously committed to the deputy collector and refund applicable penalties charged in error.

Reduce Outstanding Receivables: We recommend that the town reconcile all outstanding receivables and use all remedies available to collect unpaid taxes, fees, and other charges. According to Division of Local Services (DLS) records, the town has a relatively weak collection rate of between 92-94% over the past five fiscal years.

	FY2012	FY2013	FY2014	FY2015	FY2016
% Uncollected	5.82%	6.74%	6.70%	7.58%	6.90%

Uncollected taxes between 5%-8% of a community's net tax levy (tax levy less overlay) or a trend showing uncollected taxes increasing over time is a consequence of weakness in the local economy or the result of inadequate or inattentive tax collection procedures. If left unchecked, the town's cash flow could be disrupted, which would impact the ability to meet financial obligations or force the town to defer necessary purchases.

Forecast Cash Flow Needs: The town accountant and treasurer are confident that cash flow remains adequate despite the lack of reconciliations. Regardless, the treasurer should prepare and maintain a quarterly cash flow forecast to anticipate periods of low cash balances and potential need for short-term revenue anticipation borrowing.

Convert Elected Treasurer and Collector to Appointed: We re-affirm our December 2011 Financial Management Review recommendation to convert the positions of elected treasurer and collector to appointed positions. The town should not limit itself to candidates who campaign for office. Appointed positions enable the town to expand the pool of potential candidates, conduct extensive interviews and background checks, and hire those with the strongest credentials and most relevant professional background.

To accomplish this, the town must obtain an affirmative vote of town meeting and majority approval at its annual election. Despite the town's previously failed attempt, we encourage the board of selectmen to present their proposal again by underlining evidence of the town's financial management risk.

Initiate FY2019 Budget: Baystate Municipal Accounting Group was hired earlier this year to implement a new chart of accounts and reclassify all FY2018 transactions using an accounting structure and number schema developed by the town's advisory committee. Although towns periodically undertake this activity, it is generally not done by the advisory committee whose responsibility is to serve as the town's fiscal watchdog and not to oversee day-to-day financial management activities. Even still, the timing of this effort, coupled with the town's existing financial issues, has delayed implementation. As a result, year-to-date departmental expenditure reports are not forthcoming, which is causing concern among department heads that are responsible for managing their FY18 budgets.

We therefore recommend that the accountant issue a December 31st deadline by which department heads may submit, in writing, any reclassification adjustments to the town accountant's office. The board of selectmen should then identify a project manager to work directly with the town accountant to address reclassification requests and complete the conversion to the new chart of accounts. Once complete, the town accountant should be equipped to provide timely month-end reports to department heads.