



City of Westfield

Financial Management Review

Division of Local Services / Technical Assistance Section

October 2010

Introduction

At the request of Mayor Daniel M. Knapik, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the City of Westfield.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Technical Assistance Section. During these visits and by telephone, the team interviewed and received information from the mayor, the assessor, auditor, collector, treasurer, the personnel, purchasing and technology center directors, as well as staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the city charter and ordinances, as well as other assorted financial records. Other documents reviewed included the city's outside audits for fiscal years 2007, 2008 and 2009 completed by Thomas J. Scanlon & Associates, LLC.

In reviewing the city's financial management practices, we have focused on: (1) city government structure in the context of the duties and responsibilities of financial officers; (2) the city's budget, warrant and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the city's success in maximizing resources and minimizing costs.

We encourage the mayor, city council and others, when formulating overall strategies for improving the city's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the city's option, provided there is sufficient cooperation among the various boards, committees and officials.

Overview

Westfield with a 2009 population of 42,133 is the second largest of the six cities in Hampden County. Located 98 miles west of Boston, the city, split into the "South Side" and the "North Side" by the Westfield River, is strategically located just west of the junction of the Massachusetts Turnpike and Interstate US-91. A well developed transportation infrastructure also includes the municipally owned Barnes Airport, which offers private commuter and air freight aircraft service, proximity to Bradley International Airport and access to Conrail connections.

In Westfield, the mayor serves as the chief executive officer and the 13-member city council is the legislative branch. It is characterized as a "weak mayor" city, in part, because the mayor's appointing authority is limited. Although he coordinates the day-to-day operations of all city departments (except the schools), the mayor only appoints department heads who are not under the jurisdiction of a separately elected or appointed board. Furthermore, the city council appoints the city auditor, the city clerk and the collector. The mayor and councilors are all elected to two-year terms.

Westfield's budgeted revenues have grown from \$82.6 million in FY2000 to \$126.4 million in FY2010, or by 52.9 percent, which mirrors the statewide average for cities of 52.2 percent over the same period. Typical of cities, this growth is due largely to property tax increases. Atypically, state aid to Westfield increased by 34.4 percent, compared to 21.8 percent in cities statewide between FY2000 and FY2010. This is attributed to the city's relatively low property values and personal income which are used in state aid formulas.¹ Local receipts also grew more in Westfield (61.7 percent compared to 55.7 percent statewide).

Westfield is one of 107 communities with a split tax rate where a portion of the tax burden is shifted from residential to commercial and industrial property owners. Its FY2010 residential tax rate of \$14.68 is less than two percent higher than the average of eight abutting communities (\$14.44). The city's commercial/industrial tax rate of \$28.68 is lower than all of the other six Hampden county cities but for Agawam.² The FY2010 average single family tax bill, \$3,478 is 20.8 percent less than the statewide average (\$4,390) and 4.6 percent greater than the Hampden County average (\$3,324). The city is one of the 143 Massachusetts communities that have adopted the Community Preservation Act (CPA) and imposes a one percent CPA surcharge on its property tax bills. The city's voters have never approved a tax levy debt exclusion or override.

Today, Westfield has a moderate amount of reserves available in free cash and stabilization, or a combined 4.3 percent of the FY2010 budget. While this is less than the five to ten percent most

¹ Westfield's 2007 income per capita and 2008 equalized property valuation (EQV) were nearly 40 percent and 50 percent, respectively, below the state average; these values are used for the FY2011 cherry sheet aid calculations.

² The other Hampden County cities and their commercial/industrial tax rates per \$1,000 of valuation include Agawam (\$27.07), Chicopee (\$28.90), Holyoke (\$36.54), Springfield (\$39.25) and West Springfield (\$34.69).

financial analysts recommend for municipalities, it is a vast improvement from FY2004 and FY2005 when free cash was a negative \$1.9 and \$1.1 million, respectively. At the time, the city had less than a million dollars in its stabilization fund. By contrast, in FY2009 Westfield generated \$1.9 million in free cash and had a stabilization fund balance of \$3.5 million available for use in FY2010.

Westfield has several business-type activities that operate as special revenue funds. As in many communities there are water and sewer divisions, but in addition the city operates a gas & electric department and a municipal airport. While separate from the city's operating budget, the gas & electric department provides a large payment in lieu of taxes (PILOT) to the city annually on its plant, equipment and real estate and has contributed generously to the city's technology center.

We observed that, in large part, the resources and procedures are in place for Westfield to function effectively. In terms of personnel, the people in decision-making positions are dedicated and knowledgeable. Despite a so-called "weak mayor" status, the current mayor effectively led the annual budget process this year, his first in office. By following past practice, the city's fiscal offices generally communicate well and work cooperatively to accomplish required tasks in a timely fashion. Strict controls are maintained over municipal purchasing; financial practices and procedures are well established. Generally speaking, the checks and balances to safeguard the city's assets are diligently employed, although we did note areas of redundancy where some adjustments to processes could reduce staff workloads without sacrificing internal controls. Despite the recession, Westfield has maintained a modest capital improvement plan and the technology resources of the city are considerable.

Conclusion—Today, Westfield has a lot of advantages compared to other cities and towns: it is strategically located from a transportation perspective; it has several business enterprises that support the technology needs of the city; it just entered a new TIF agreement which will yield \$750,000 in new revenues this fiscal year and \$500,000 for each of the next nine years; and, department heads and staff in the financial offices are experienced and committed. Just as important, after a period in which the city had four mayors in the last three years, the city has a new mayor with an interest in reexamining how business in Westfield is done. By and large, the city appears to be on the right track after going through a rough period in FY2004 and FY2005.

Lastly, we want to take this opportunity to thank the city officials and staff who participated in this financial management review. In the course of our reviews, we rely on the assistance and cooperation of city hall employees to coordinate and schedule our visits to city hall, interview all financial officials and staff, and ask numerous follow-up questions by telephone and e-mail. In this regard, the response from the city of Westfield was exemplary. Most of the information we requested was delivered to us in advance of our site visits, the mayor's assistant was both accommodating and efficient in arranging our interview schedule, city employees were candid and cooperative when interviewed, and the responses to our follow-up questions were thorough and timely.

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Overall Financial Management

A review of the city's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact city government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the city's organizational structure on the operation of government. We examined personnel administration and the purchasing system. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

In this context, finance department heads and staff are effective in producing vendor and payroll warrants for review and approval by the city auditor. The city auditor plays the lead role in the development of the annual budget for the mayor's submission to the city council. Among submissions to DOR, the balance sheet is completed by the auditor, but the city's free cash has not been certified until January for the last two years which is typical practice in Westfield. In addition, the assessors, auditor and city clerk have collaborated on the preparation of the city's Tax Recap Sheet so that DOR approval of the annual tax rate occurs in December.

The financial management of Westfield is largely dictated by past practice. Scant mention of finance matters or policies is made in the city charter or ordinances, nor were we provided other documents that define the city's policies and procedures. Unlike other cities and towns, there are no regular meetings of all of the city's finance officers or a financial management team to coordinate all fiscal activities. The mayor holds quarterly department head meetings, but the city's financial officers tend to meet on as-needed, task-oriented basis, not regularly with an intentional focus on planning ahead to accomplish or to set city-wide goals. During the course of our review, the only official statement of financial policies provided was the capital plan required by the charter. There are no formal policies for multi-year revenue and expenditure forecasts, or for the use of free cash and reserve levels. While the city follows many good fiscal practices there is a danger that they may be not always do so in the future, especially given the potential for the lack of continuity in leadership positions resulting from a two-year election cycle.

At the same time, we observed a well-designed division of labor in the financial offices that ensures all necessary tasks and duties are performed. In part, this is the result of longevity among staff. In addition, we noted that, due to cross-training in the auditor's office, at least two people are capable of performing any task, which allows for complete coverage in the office during vacations and absences. To a lesser extent, we observed this to be true in the other financial offices as well. The one exception is

the treasurer's office where individual responsibilities are clearly delineated, but where the treasurer usually performs the duties of absent employees himself.

The mayor began the FY2011 budget process in early March, 2010 with a department head meeting where budget request forms were distributed along with a detailed four-year forecast of anticipated revenues and expenditures prepared by the city auditor. Department heads were instructed to submit their budget requests to the auditor by March 29, 2010. Upon receipt of the working budget compiled by the auditor, the mayor held meetings with each department head to discuss their needs as well as three public hearings to get input on citizen priorities. The mayor then completed his budget proposal and presented it to the city council on June 3, 2010. The council's finance committee held a series of nine budget hearings in June and finally adopted a budget in a special session on June 30, 2010, the last possible day to have a budget in place for the new fiscal year.

Westfield has an outside audit of its financial statements performed each year, currently by Scanlon & Associates, LLC. The objective of an audit is to provide independent assurance that a community's financial statements are reliable, accurate and complete. As important, the independent audit is a valuable management tool for assessing the fiscal performance of a community and identifying areas that need improvement. In the last several years, Westfield has taken corrective action in response to some, but not all, of the issues raised in the auditor's management letter. In this report we make similar recommendations relative to several of these matters.

Conclusion—Important regular financial tasks such as the preparation of warrants, the commitment and collection of taxes, and preparation of the annual budget recommendation are accomplished relatively smoothly. At the same time, the city, like virtually every Massachusetts community, is caught in the continuing squeeze between escalating expenses and stagnant or dwindling revenues. Consequently, the city cannot rely on the status quo and must continually search for new ways to cut costs without cutting essential city services.

Recommendation 1: Create a Financial Management Team

We recommend that the mayor form a financial management team and meet regularly with it to discuss the city's financial issues. To open formal channels of communication and to better coordinate the city's financial affairs, we recommend a financial management team be formed and meet monthly. We suggest that the members include the mayor who would serve as chair, the assessor, auditor, collector, school business manager and treasurer. It would also be of value to include the city's information technology director. While the mayor meets with the school superintendent biweekly and all department heads quarterly there can be additional value in monthly meetings that focus entirely on the city's financial issues.

The financial management team meetings would be a forum where the finance-related matters can be reviewed. The team would analyze the financial impact of future events, identify critical junctures and offer early strategies to deal with anticipated areas of concern. It might also facilitate the

collection of data that would serve as a basis for decisions by the city's policy-making bodies concerning debt limits, reserve fund levels, revenue/expense estimates and budget guidelines.

Recommendation 2: Review the City's Charter and Ordinances

We recommend that Westfield perform a comprehensive review of the 1978 city charter. A charter gives a community the ability to decide on how it wishes to be governed. It is a means for creating an organizational structure, defining relationships among officials, boards and commissions, and clearly establishing financial procedures. The choice of a new charter as a vehicle for change reflects a decision to study and assess all of municipal government rather than address individual aspects of management through incremental adjustments.

We recommend a charter committee evaluate the appointment authority of city officials. As we point out, Westfield is considered to have a "weak mayor" form of government because of the large number of department heads who are currently appointed by the city council and independent boards. The mayor's lack of direct appointing authority over department heads could limit his ability to command these individuals and win their cooperation. Citizens might consider granting the mayor greater appointing authority if they desire a more centralized management structure.

We further recommend that the charter committee consider changing the terms of the city's elected officials. The lack of longevity in the mayor's office suggests a reevaluation of his term of office might be in order. A two year term for an executive officer tends to work counter to the effective implementation of long range financial strategies and goals. Notwithstanding the argument that a two year term allows voters to more rapidly reject an office holder, we counter that a true measure of performance and of the benefits derived from continuity in government policies and practices are best achieved over four years.

The large number of first term city councilors justifies a similar analysis of their term lengths. Concurrently, the committee might consider changing the term of city councilors from two to three years and stagger the terms so approximately a third of the councilors are elected each year. A plan to stagger city council terms (i.e., three members elected each year for three year terms; or at-large one year, ward councilors another) would likely require a city-wide vote each year. While the incremental expense to add a city-wide vote in state-election years may not be an attractive option now, staggering the terms of city councilors should be considered when the city charter is reviewed.

We recommend Westfield conduct a comprehensive review of city ordinances. The purpose of a charter is to establish parameters through broad statements of policy, as well as structure and procedures with the expectation that detail is embedded in ordinances or bylaws. The outcome should be companion documents that complement each other with the effect of providing a foundation for long-term stability as well as flexibility to adapt to changing circumstances. Consequently, a full ordinance review should accompany the adoption of a new charter or individual charter provisions.

Recommendation 3: Modify the Budget Process

We recommend that the city modify its budget process to provide for an earlier start. The budget process in Westfield is led by the mayor with the assistance of the city auditor. It is well established by past practice, but is typically characterized by a late start. The current budget was not adopted until June 30, 2010.

We suggest that the deadline for departments to submit their budget requests be moved from the end of March to the end of February. The mayor and city council might agree on a reasonable date that the council would receive the budget. In addition, the budget process might work smoother if all departments submitted their requests to the auditor in the same format with the same level of salary and expense detail. One possibility is to require that departments use the MUNIS budget module. Another possibility is to require all departments to use Excel spreadsheets.

Recommendation 4: Curtail Budget Transfers

We recommend that Westfield eliminate the practice of routine budget transfers. In FY2010, there were a total of 341 budget transfers. They occurred when a department moved money from one account where a balance exists in order to spend more than was originally budgeted in another account. Even though there is a well-defined request process in place and the mayor authorizes each transfer, this practice undermines the budget process.

While we support the autonomy of department heads to manage their budgets within the limits of the appropriated purposes, the routine use of budget transfers erodes the integrity of the appropriations process. We understand that this situation could arise from a change in priorities, some unforeseen circumstance, or in the case of an emergency. However, most often, a high number of transfers suggests that realistic departmental budgets are not developed in the spring of each year. We recommend the mayor refuse to routinely approve transfers and instead require department managers to provide appropriation requests for the ensuing year that reasonably match actual expenditures reflected on expense reports for the current year.

Recommendation 5: Form an Audit Committee

We recommend that the city create and appoint an audit committee. An audit committee can help determine in advance the requirements and objectives of the city's outside audit. More importantly, the committee could review the auditor's management letter and monitor progress in resolving audit issues. Nine of the items raised in the FY2008 management letter and seven in the FY2009 management letter from Scanlon & Associates CPA were items that had been raised in prior years' audits and gone uncorrected. In fact, our next three recommendations echo items first raised by the outside auditor in his management letters.

The mayor, working with finance officers, would be expected to formulate a corrective action plan to address issues raised in the auditor's management letter. An appointed audit committee, numbering five or so persons from the general public with some level of accounting knowledge and experience, would monitor progress. The committee members should not include finance department personnel who might be the subject of management letter comments.

Recommendation 6: Reconcile Cash and Receivables Monthly

We recommend that the city auditor meet monthly with the treasurer and collector to reconcile the city's cash and receivables, respectively. Currently, the auditor and treasurer reconcile cash annually, with both reporting that the city auditor checks the treasurer's numbers at year-end in advance of the independent audit. The treasurer is diligent in reconciling his records to the bank statements. Likewise, the collector conducts regular reconciliations of receivables internally, but only compares his balances with the auditor at year end. It is important that the treasurer's and collector's monthly cash balances also match those of the city auditor so that the city's official financial records are current. Under the present arrangement, the city's position is up-to-date only once a year.

Monthly reconciliations make it easier to locate and correct any posting or reporting errors and help ensure that the city's financial records are accurate. The auditor should agree with the treasurer and collector on a day each month when they will meet to compare their balances. The treasurer and collector would continue to internally reconcile their records to source documents (turnover sheets or deposit slips, warrants for refunds, abatement and exemption certificates, etc.). If variances occur, source documents should be revisited.

Recommendation 7: Develop a Manual of Uniform Financial Procedures

We recommend that the financial department heads and the IT director work to develop procedure manuals for all routine and non-routine financial tasks. A procedure manual can be a valuable "how to" resource for staff who are new to a position, as well as current employees. Manuals frequently take the form of a loose-leaf notebook that contains step-by-step instructions on how to accomplish routine and important office tasks. To illustrate computer-related procedures, a printed image depicting the actual computer screen display for each step should be included. By walking through and documenting screen displays, staff will become more comfortable with regular procedures and knowledgeable of those less frequently used, or previously unknown. The manuals can serve as a ready reference for use in keeping an office in operation when staff is short, and are also a valuable training tool for new staff. In addition, as a result of developing procedure manuals, the auditor, IT director and department heads may be able to work with staff to devise easier, more efficient and responsive ways of accomplishing requisite office tasks. We should acknowledge that the auditor's office is already working on procedure manuals for processing departmental receipts and accounts payable.

Recommendation 8: Follow Existing Procedures for Accrued Sick and Vacation Pay

We recommend that staff follow existing procedures for calculating accrued sick and vacation pay. Westfield already has a set of step-by-step instructions and a standardized form for calculating an employee's accrued pay that should be included in the procedure manual described in the previous recommendation. Yet, during the course of our review we learned that almost 100 city payroll checks were voided in FY2010 because payments were calculated incorrectly when these procedures were not strictly followed. The process for correcting each voided check involves staff time in several departments and generates seven documents that could have been avoided.

Recommendation 9: Consider Enterprise Accounting for Water & Sewer

We recommend that Westfield adopt enterprise fund accounting for the water and sewer departments. An enterprise fund (MGL Chapter 44, Section 53F½) establishes an accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services provided. The revenues and expenditures of the enterprise are segregated into a separate fund with its own financial statements, rather than commingled with the revenues and expenses of all other governmental activities. If it does, the city will have a clear picture whether fees are sufficient to cover all costs, or whether the general fund is subsidizing the water and sewer ratepayers. Direct and indirect costs (e.g., interdepartmental support, health and insurance costs) including debt service can be accounted for. If rates are appropriately set, modest surplus revenue can be generated, accumulated over time and devoted to capital investment associated with providing the services.

Recommendation 10: Adopt Biweekly Warrants

We recommend that the city process the payroll warrant and vendor warrant on a biweekly schedule. Cost savings are often gained when employees are moved to a biweekly pay period. As a start, the number of payroll checks issued annually would be cut in half. As for vendor warrants, bills would still be paid within the required thirty days on a biweekly instead of a weekly payment schedule if departments are timely in submitting their bills to the auditor. If adopted, we would recommend the payroll warrant be processed on the alternate week from the vendor warrant to spread the workload in the auditor's and treasurer's offices. The city has considered a biweekly payroll in the past and should continue to propose it during bargaining sessions with its unions. A change in the vendor warrant schedule does not require bargaining.

Recommendation 11: Evaluate Health Benefits for Part-time Elected Officials

We recommend that the city evaluate the benefits offered to part-time, elected officials. Under M.G.L. c. 32B § 2(d), if any part-time elected official receives either a salary or stipend, he or she is considered an employee and, as such, is eligible for health care benefits. However, the mayor can direct

that part-time elected officials not be eligible for health care benefits during employment or upon retirement. While officials currently receiving benefits may be “grandfathered” until the end of their current term, eventually all part-time elected officials can be excluded from receiving benefits. Furthermore, if an elected official also contributes to the retirement system, he or she vests after ten years and is typically eligible for health care benefits upon retirement. To avoid this liability for part-time officials, the policy can limit eligibility to those who were eligible for health insurance as an active employee.

For Westfield, which is struggling against increasing health care expenses like all cities and towns, these represent additional costs which can be significant over time. As communities throughout Massachusetts grapple with on-going budget constraints, discussions on how to save money have also expanded naturally to include reconsideration of stipends and health care benefits for part-time members of boards and committees. So too, the city should consider whether these benefits are reasonable expenses it wishes to provide or whether they are legitimate areas of cost reduction.

Information Technology

Computers and technology play a vital role in municipal financial management today. Computers are used by the assessor to maintain property values, prepare tax rates and generate the property tax and motor vehicle excise commitments; the collector takes the assessor's commitments electronically to generate the tax bills, and then to post receipts and manage receivables; the treasurer records the turnovers of city monies to his department to track the city's cash position. Data from vendor invoices and employees' time sheets is entered into the computer system so that the auditor can generate the vendor and payroll warrants; the treasurer tracks the disbursements of the computer-generated checks in his electronic cash book. Cash balances and receivables are all reconciled on electronically generated reports. Debt schedules, revenue and expenditure reports, annual budgets, and balance sheets are all maintained in electronic files. The electronic transfer of data reduces staff time by eliminating the need to rekey data in multiple departments; the electronic storage of records reduces space needs in city hall. Email is used regularly to communicate and to provide internal access to information. A city website provides e-mail links to city offices and access to city documents and forms. Because computers play a key role in virtually every element of the city's finances, it is essential that knowledgeable, system-savvy individuals be involved in the purchase and support of equipment and software.

The Westfield Technology Division is responsible for the management of city technology resources. The division is located in a free standing state-of-the-art facility shared with the Westfield Emergency Management Center. The center houses the 62 city and school servers and the network backbone, complete with redundant power systems, environmental controls and fire suppression systems. A publicly accessible wireless network was installed in city hall which provides internet access to the City Council Chambers. Telephony is provided by the city's gas and electric department; the equipment will allow for future growth into areas such digital telephones. Staff now includes the director, ten technicians and two clerical staff to support the information technology needs of city government and the public schools—a reduction in staff of three persons through retirements in the last year. All costs are allocated between the city side and the school side on a 40/60 percent city/school split. In addition to maintaining, monitoring and troubleshooting the networks, servers and workstations, the center provides for the data processing needs for all of the city financial functions including accounts payable, receivables, budgeting, general ledger, and payroll processing.

Every workstation in city hall has a computer complete with Windows, Microsoft Office, e-mail and internet access. The assessor, collector, auditor and treasurer all use MUNIS software and rely heavily on Excel spreadsheets. The assessor's office uses Vision mass appraisal software to maintain property tax records and generate the tax commitments. All computers are connected via a fiber optic network, except for the police department which is connected by a point-to-point wireless network. The networks were recently installed using American Recovery and Reinvestment Act of 2009 (ARRA)

funds. Backups of all computers and data sets occur automatically on a daily basis with routine rotations offsite as a part of the city's disaster recovery plan.

The technology center also hosts regular training sessions on general computing issues, common Microsoft and MUNIS applications, as well as specialized applications and systems management. Training typically occurs 12 times a year in a training center which accommodates 12 employees each in two half-day sessions. The city requires each employee to undergo introductory computer training and sign acknowledgement that they will comply with city policies on the appropriate use of internet and e-mail before computer access is allowed.

Conclusion—Westfield is light years ahead of most cities and towns in terms of its information technology commitment. The city is fortunate to have had the resources, in large part because of the gas & electric company and ARRA funding, to make a sizeable investment in the IT center and technology infrastructure. Furthermore, the city is committed to providing the complementary maintenance and support staff to protect its investment going forward. Just as importantly, the city has maintained its support for user training. Indeed, we would probably hold Westfield's IT experience up as a model for other cities and towns to duplicate but for the fact that most other communities lack the necessary resources to make a similar investment.

Recommendation 12: Develop In-House Training Opportunities

We recommend that the technology division work with the city auditor and her staff to develop customized training opportunities for city hall staff in routine MUNIS tasks. The technology division offers regular training classes, but lacks sufficient knowledge of the financial software and its applications to conduct MUNIS training. The city auditor and her staff are very proficient in MUNIS but lack the resources and experience to do extensive software training. Already, the auditor's staff is beginning to work with a few select departments as part of a pilot program to have all departments enter their own invoices into MUNIS. They may benefit from the assistance of the technology division as they move to train additional departments. Other opportunities include a training session on the MUNIS budget module for department heads and sessions on payroll and receipt entry for the rollout of their next scheduled MUNIS upgrade. The sessions could be refocused to train new users as turnover occurs.

Recommendation 13: Accept On-Line Bill Payments

We recommend that the city accept on-line bill payments through its web site. On-line bill payments offer advantages to cities in terms of reduced foot and mail traffic, faster deposits and reduced lock box fees, as well as offering convenience and flexibility to taxpayers. It also sends a message to taxpayers about progressive customer service and the use of technology. For more information on on-line bill payments we direct you to the "Sound Financial Management Practices" section of our website at <http://www.mass.gov/dls>.

City Auditor

The primary responsibility of the city auditor's office is to maintain the city's general ledger and to perform the accounting functions. Typical accounting functions include reviewing invoices, preparing payroll and vendor warrants, producing trial balances, revenue and expenditure reports, maintaining information on debt; and reconciling cash and receivables with the treasurer and collector.

The current auditor has been in city employment since 1976 and was appointed as the city auditor in 1994. She oversees four staff persons: an assistant auditor, a senior accountant, an accounting machine operator and an accounts clerk. Throughout the year, the auditor's staff prepares internal and external reports to monitor the city's financial position. On the revenue side, staff enters, or posts, tax collections and departmental revenues as they are reported to the office on departmental turnover sheets that are delivered by department staff after filing identical records with the treasurer's office. The staff reconciles the auditor's records of receipts and payroll with the Treasurer's office monthly. Receivables, cash and debt are reconciled with the collector and the treasurer annually.

The auditor prepares payroll and vendor warrants for the mayor's signature, authorizing the treasurer to pay the city's bills. City departments forward their time sheets to the auditor's office weekly in order to verify that departmental entries into MUNIS records are correct. The payroll clerk prints a time and attendance report to verify overtime calculations, the proper usage of accrued sick and vacation time, the reporting of out of grade work, and that expenses are charged to the right account. The accrual of sick and vacation time for city employees is maintained in MUNIS records. The payroll clerk is also a budget analyst. She provides support to the auditor, mayor and departments during the budget process, and, during the fiscal year, monitors revenues and departmental spending. She watches for potential deficits, additional funding needs and ensures that entries are charged to the appropriate account detail.

The vendor warrant is prepared by the accounts payable clerk³ on a weekly schedule that generally runs smoothly. Departments are required to submit their invoices with the purchase orders each Friday. All invoices must be signed by the appropriate board or department head. The clerk reviews all the documentation and then enters the invoices of all city departments into MUNIS, including all of the Gas & Electric Company invoices which have already been entered into their own financial software; only the school department enters their own invoices.

The assistant auditor generates all month-end reports, including a year-to-date balance sheet and trial balance, and closes out each month's record. She maintains independent files for approximately two dozen small accounts that are not recorded in MUNIS. She also reviews City Council actions to ensure that all financial decisions are properly accounted for.

We noted the genuine team atmosphere that exists in the auditor's office. While this is a pattern we observed in most city hall offices, it is especially true here. All staff are cross-trained to perform

³ Her official position title is accounting machine operator.

accounts payable and payroll functions in addition to their own duties. In addition, the auditor regularly jumps in to assist the payroll clerk. She and her assistant routinely assist the other staff in the performance of their duties as workloads in the office demand. The auditor and her staff have also developed a set of departmental goals which include producing a procedure manual⁴ to document the process by which departments should record receipts and invoices for accounts payable, and are intent on reconciling cash on a more frequent basis. We are in complete support of these goals.

Conclusion—The auditor’s staff is knowledgeable and experienced and, therefore the majority of our recommendations are minor. However, we do suggest that the office adhere to reporting deadlines for the Schedule A and the balance sheet. Typically in a city the size of Westfield and where all departments have access to the city’s financial software, we expect the auditor to verify and validate numbers that other offices have already entered. Yet, in Westfield, we observed the auditor’s staff doing an inordinate amount of data entry. We support the auditor’s goal to have departments enter their own receipts and invoices into MUNIS. This will allow her and her staff to spend more time verifying information instead of hand keying it.

The only other suggestion we have for the auditor is to reconcile cash and receivables more frequently, as we have already stressed in an earlier section of this report. She is already aware of this deficiency and is intent on correcting it. We should also point out that this is a shared responsibility and that she needs the cooperation and active participation of the treasurer and collector. On the whole, we were very impressed by the competency of the auditor and her staff.

Recommendation 14: Complete Required Reports Earlier

We recommend that the auditor prepare and submit the Schedule A on time and complete the balance sheet sooner every year. Cities and towns are required to submit the Schedule A annually by October 31 of each year; it is recommended that a combined balance sheet be submitted to the Bureau of Accounts by the end of September. Westfield consistently fails to meet these guidelines.

The Schedule A is a statement of total revenues received, expenditures made and fund balances as of June 30 each year. This information is retained in the DLS municipal data bank and also sent to the U.S. Census Bureau to fulfill federal reporting requirements. Failure of a municipality to file by October 31 could result in withholding major distributions of state aid. We encourage the auditor to take advantage of the ability of the MUNIS software to generate financial data in formats and groupings that reflect those required in the Schedule A. In this way, the amount of work necessary to complete the Schedule A can be reduced, and the prospects for meeting the October 31 deadline can increase.

While there is no official deadline, we recommend the auditor complete preparation of the balance sheet earlier in the fiscal year. When the balance sheet is delayed, so is the town’s certification of free cash by DOR and the outside auditor is precluded from beginning the annual audit of the town’s

⁴ See **Recommendation 7** on page 9.

books. Without a clean audit for review by credit rating agencies and other financial institutions, the city's ability to borrow is hampered. It is just good practice to close the town's books and submit a balance sheet by the end of September.

Recommendation 15: Treat Westfield Gas & Electric Like Every Other Department

We recommend that the city auditor require the Westfield Gas & Electric (WG&E) to provide their financial information in a MUNIS-readable format. Currently, the auditor's staff has to enter all of WG&E's invoices into MUNIS because they use a different financial software package. The auditor should treat WG&E just like every other city department and make them responsible for their own data entry into MUNIS or into a MUNIS-readable format. We recognize that the gas & electric company did evaluate using MUNIS but opted for their own financial software package. Given that decision, we further recommend that WG&E be responsible for their own data entry or working with its software vendor to construct a bridge between the two software packages.

Recommendation 16: Include More Detail with Warrants

We recommend that the vendor and payroll warrants prepared for the mayor's signature include more detail. Under current practice, the mayor is presented with a warrant listing a single dollar amount for the entire city payroll and another with a single dollar amount for the entire vendor warrant with a space on each for his signature. Greater detail is required on warrants.

To comply with the requirements of M.G.L. Ch. 41 §52, whoever approves warrants must be able to inspect and view each individual payment, which in this case would at least be an employee's name and gross salary in the case of the payroll warrant and a listing of vendors and amounts due for the vendor warrant. Actual invoices need not be attached. Without this detail, the mayor's signature to the warrant simply serves as a rubber stamp.

Recommendation 17: Change Accounts Payable Processing Procedures

We recommend that the accounting machine operator cease checking the math on the invoice schedule submitted by departments. First, it is the department head's responsibility to verify that the total on the cover sheet for the department's bills is correct before he attaches his signature to it. Second, it is an unnecessary and inefficient use of the accounts payable clerk's time. If the cover sheet total agrees with the total from the MUNIS report generated after invoices have been entered, the math on the cover sheet is correct. This way the clerk can spend her time only checking those cover sheets that do not agree, instead of adding the details for each one.

Treasurer

The current treasurer served as the treasurer/collector from 1985 to 1998 when his position was changed to treasurer and a separate collector's office was established. Under current department practices, turnovers of city receipts to the treasurer are deposited into appropriate bank accounts and balances are monitored to ensure that sufficient funds are available to cover city obligations as they become due. The treasurer invests city funds and manages debt to maximize investment income and meet cash flow needs. He maintains several Excel spreadsheets, which track the cash position in the city's 30-plus checking and investment accounts. The treasurer reconciles his cash book internally against bank statements on a monthly basis and externally against the auditor's general ledger once a year. The treasurer also maintains tax title accounts, conducts sales of land and initiates the tax foreclosure process.

Among staff, a senior clerk is responsible for checking the city's bank accounts daily and transferring money between the city's accounts to cover warrants, as needed. With the treasurer, she reconciles receipts and warrants and processes manual checks. She also reconciles her log of cash receipts and the city payroll with the accountant's office monthly. The other clerk's primary responsibility is the city and school payroll. She is responsible for calculating and filing all the reports associated with state and federal income tax withholdings, including the review and payment of any wage attachments, union dues and other employee deductions. She also accepts daily receipts from departments and prepares the daily deposit for miscellaneous receipts. Another shared clerk with the collector's office spends 25 percent of her time in the office working exclusively on tax titles. The treasurer and all staff are bonded.

Daily, the office receives deposits of the city collector's receipts and accepts turnovers of cash and checks from all the other city departments. Accompanying each departmental turnover is a single preprinted cover sheet customized by department with space for account detail, totals and signatures. Upon receipt, the treasury staff recounts the cash and checks, date-stamps the cover sheet and makes three copies of the cover sheet; the treasurer keeps one, and two are returned to the department, one for their own records and another for delivery to the auditor. In addition, the treasury staff counts the cash and checks received daily by the collector's office and prepares the deposit slip. The collector typically brings the deposit to the bank where it is made to a treasurer's account.

One important responsibility of the treasurer is to reconcile his cash accounts regularly as a safeguard of the city's financial position. To fulfill this function he should reconcile all accounts monthly, both internally against his own system of checks and externally with the independent records of financial activity maintained by the auditor. In this regard, the Westfield treasurer maintains a detailed spreadsheet of all of the city's financial activity that he reconciles monthly with an independent set of records maintained by his senior clerk. The lion's share of the city's financial activity, treasurer's

receipts and the city and school payroll, are reconciled monthly with the city auditor. However, the reconciliation of cash, i.e. the city's total financial picture, is only done at year end.

Unlike other cities and towns, the Westfield treasurer has little responsibility for benefits administration. The single exception is the city's life insurance program which began before the city had a personnel office. Today, the treasurer's clerk reconciles the various life insurance fringe benefit plans the city offers. The largest plan, a basic life plan with Boston Mutual Insurance Company, has over 1,200 enrollments. A handful of other plans have a total enrollment of under 200 employees.

Conclusion: The treasurer's office runs relatively smoothly. It has the fewest staff of all the financial offices but still manages to complete the necessary day-to-day functions of the office. As noted and addressed previously, the biggest shortcoming of the office is the lack of more frequent cash reconciliations with the auditor. We also observed that the treasurer is actively involved in every facet of the office. It is not a matter of delegating more, but that he does not relinquish control even when he does delegate. This issue is addressed in our first recommendation.

Recommendation 18: Consider Elevating the Senior Clerk to Assistant Treasurer

We recommend that the city upgrade the senior clerk position to assistant treasurer. Given the growing complexities of municipal finance, increasingly communities are appointing assistant treasurers who are trained in all aspects of the office. The assistant should possess good finance skills and demonstrate knowledge of Massachusetts municipal finance laws, regulations, procedures and concepts. With proper training, the assistant would be better able to help the treasurer in the banking, management, reconciliation, and report generating activities of the office and have the authorization to act in the treasurer's absence. This recommendation may require an increase in the salary of the current clerk because of her increased responsibilities.

Recommendation 19: Simplify Reconciliation Worksheet

We recommend that the treasurer create a simpler spreadsheet to reconcile his bank accounts monthly. The treasurer's office provided us with copies of several spreadsheets used to internally reconcile cash on a monthly basis: three are used by the treasurer and three are maintained by his senior clerk. The treasurer's combined spreadsheet recording the activity and balances in all of the city's checking and investment accounts is extremely complicated. It is formatted as a 26-page print document instead of a traditional spreadsheet and contains numerous extra cells with explanatory notes. The treasurer should consider constructing a simpler spreadsheet that more resembles a traditional cashbook for the purposes of reconciling with the auditor.

Recommendation 20: Secure Signature Stamp

We recommend that the treasurer keep the signature stamp for the check writing machine in a secure location and create a log sheet for its use. Most of the city's checks are generated electronically by the Technology Division but a small number of checks are issued on a check writing machine in the treasurer's office. During our visit, we were told that the stamp which applies the treasurer's signature to the checks was kept in the machine at all times. When not in use, the signature stamp should be kept in a locked location.

Recommendation 21: Report NSF's to City Auditor

We recommend that the treasurer notify the city auditor of any and all bounced checks. The treasurer has a process for handling checks that are returned for non-sufficient funds (NSFs). As soon as the bank notifies the treasurer of a NSF check, the payment is reversed in the MUNIS system, the department where the check was presented is notified, the statutory penalty fee⁵ and any interest due for late payment are added to the original amount due. This is exactly the process that we recommend except for the additional step of notifying the city auditor when a NSF check is received so that she is kept apprised of changes in the city's cash position.

Recommendation 22: Treasurer to Approve Checks for Printing

We recommend that the Technology Center cease printing checks without a signed authorization from the treasurer. While the checks printed by the Tech Center have been electronically created through MUNIS and after the appropriate checks and balances of the warrant process have been observed, including the approval of the auditor, no check should be issued without the explicit signed authorization of the treasurer. It is his responsibility as the city's cash manager to authorize all city checks.

⁵ Under M.G.L. c. 60 § 57A, cities and towns are allowed to impose a penalty of one percent of the amount of a bounced check or \$25, whichever is greater.

Collector

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes; a city collector, under a local acceptance statute⁶ as in the case of Westfield, has expanded authority to receive and collect all monies or accounts due a municipality. Collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the auditor monthly. Credit reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days. In most communities, the collector manages the contractual agreement with the deputy collector.

The Westfield collector was appointed to his position 11 years ago. Staff now includes an assistant collector and three experienced clerks. All are full-time and cross-trained to cover the essential functions of the office; one of the clerks spends a quarter of her time working on tax titles for the treasurer. The office reviews the real and personal property commitments received from the assessors before sending them to his deputy collector who prints, stuffs and mails approximately 13,500 real estate tax and about 300 personal property tax bills each quarter. The collector estimates that the deputy collector's discounted mailing service saves the city \$8,000 to \$10,000 a year in postage costs. The deputy collector, PKS Associates, receives motor vehicle billing information directly from Registry of Motor Vehicles and issues roughly 41,000 excise tax bills for the city throughout the fiscal year. In addition to the tax bills, the collector's office is responsible for collecting a number of other bills for other city departments. These include ambulance, a combined utility bill (for water, sewer and solid waste accounts), non-criminal fines, off-duty police details and some payments for the vocational school. The office also pursues delinquent ratepayers for the Gas & Electric Company.

The collector receives roughly 60 percent of payments through a lockbox service with Century Bank, another 30 percent by mail and the remaining 10 percent over the counter at City Hall. Unlike a growing number of cities and towns, the collector does not accept online bill payments. Receipts are counted and turned over to the treasurer daily, and posted to taxpayer accounts in MUNIS records the following day.

As an appropriate financial control, each of the three clerks has her own individual cash drawer. At the end of each day, each clerk runs an adding machine tape on the payments (cash and checks) and compares it to a total of the bills; one clerk performs the same task for any payments received in the daily mail. The cash, checks and tapes are bundled for the treasurer's office and the bills are set aside

⁶ [MGL Ch. 41 sec. 38A](#)

for posting into MUNIS the next day. Unlike the other city departments that deliver collections to the treasurer's office, the collector's delivery is not accompanied by a departmental turnover sheet.

Most of the work pursuing delinquent real estate accounts falls to the clerk who is shared with the treasurer's office. She sends letters to the taxpayers and issues real estate demands before accounts are overdue by 30 days. All taxpayers are offered the opportunity to enter into payment agreements to bring their accounts current, and taxpayers with larger balances receive more frequent mailings. Taxpayers are generally moved into tax title after being delinquent 2½ years. The clerk also reconciles the collections of delinquent G&E charges that have been lienied to the real estate bill. In accordance with state law, she responds to requests for municipal lien certificates promptly.

A collector typically meets regularly with the accountant or city auditor to reconcile their receivable records and with the treasurer to reconcile collections. In Westfield, the collector reconciles receivables with the auditor annually and collections with the treasurer daily.

Conclusion - The collector's office executes the statutory duties of the office well. Yet, we noted several areas that could stand improvement. Our first recommendation addresses one of our more serious concerns, the pursuit of delinquent taxpayers. Addressing this issue will not only contribute to the city's cash flow but safeguard the city's interest. Our remaining three recommendations relate to proper form, streamlining operations and marginally reducing mailing costs.

Recommendation 23: Pursue Tax Titles More Aggressively

We recommend that the tax collector expedite action against delinquent real estate accounts. In accordance with sound financial practice, the collector sends a demand notice when a real estate tax bill goes unpaid for 15 days after the due date. Subsequent to issuing a demand, however, he waits up to 2½ years before proceeding with placing the property in tax title. We recommend that he begin the process of moving delinquent accounts into tax title within three to six months of the demand notice. By doing so, he perfects the city's lien on the property, making it effective in the event that an alienation (or conveyance) of the property is recorded with the registry of deeds.

Recommendation 24: Prepare a Turnover Sheet

We recommend that the collector prepare a turnover sheet for his daily delivery of cash and checks to the treasurer. Because of past practice and the proximity of the two offices, the collector does not prepare a turnover sheet to the treasurer. We suggest that the collector or his assistant combine the bundles and prepare a departmental turnover sheet to the treasurer just as every other department does. The sheet should show the amount collected by revenue category and a total. The form should include room for signatures from the sending (collector) and receiving (treasurer) parties attesting that the sheet is correct, with a copy of the signed sheets delivered to the auditor. This recommendation is meant for the protection of the collector, not to make more work for him. Under the current arrangement, he has no record from the treasurer indicating how much money was received.

Recommendation 25: Post Bills Before Deposit

We recommend that the clerks post payments to the financial software before they are turned over to the treasurer. As payments are received at the collections counter or by mail, a clerk verifies the amount of payment and provides a receipt to the taxpayer. Cash is placed in the cash drawer; checks and the bills are filed separately. At the end of the day, each clerk counts her cash and checks, runs an adding machine tape on the bills and compares the amounts. One clerk delivers the cash and checks to the treasurer's office to be prepared for deposit. The following day, payments are posted from the bills into the financial software and a report is generated to compare the MUNIS total with the total of the cash and checks. Alternatively, with three clerks accepting money, the cash drawers could be closed on a rolling basis. For example, one clerk could stop accepting payments and close her cash drawer at 2 pm, another at 3 pm and the third at 4 pm, instead of all three drawers closing at 2:30 as they are currently. Once closed, each clerk could immediately begin preparing her drawer for deposit and posting the bills into MUNIS.

Recommendation 26: Reformat Bills for Address Window

We recommend that the collector contact his deputy collector to alter how old and new property owners appear on property tax bills. State law requires that real estate taxes be assessed to the property owner as of January 1 of each year. If title to the property is transferred later, the new owner is listed in the assessors' system. When the tax bill is mailed, it is addressed to the old owner in the care of the new owner at the property location. However, if the old owner instructs the post office to forward his or her mail to a different address, the bill goes there instead, and is subsequently returned to the city without payment.

To ensure that the tax is received by the new or current owner, the software from which bills are printed need only be reprogrammed to display the old owner's name apart from the address which would retain the new owner's name. If bills go out in a window envelope, the prior owner's name can appear on the face of the bill, but outside the window. If self-contained, perforated bills are used, the prior owner's name can be printed in some other location on the face of the bill apart from the mailing address. The result should be far fewer returned envelopes with unpaid bills to the collector's office.

Assessors

The assessors' office is responsible for valuing all the city's real and personal property, assigning tax payments to owners, and generating the commitments authorizing the collector to collect real estate tax, personal property tax and motor vehicle excise payments. In Westfield there is a three-member appointed board of assessors who determine property values, new growth and the overlay. They appoint the full-time director of assessing who oversees all the administrative and clerical functions of the office. In addition, there are two clerical employees and two assistant assessors, all full-time.

To ensure that residents are taxed equitably and accurately, an assessing office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during an on-going property measure and list program. Upon resident application, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR for setting the tax rate. The office is required by DOR to document an annual property value adjustment analysis and to prepare for state certification of property values every three years; FY2008 was the latest recertification year.

The volume of work in the Westfield assessing department involves approximately 12,295 residential real estate parcels, 880 commercial/industrial parcels, and 205 parcels of mixed use. There are an additional 293 personal property accounts. All are billed on a quarterly basis. Over the course of one year, motor vehicle commitments total approximately 41,000 accounts. The assessors office approved 432 personal exemption forms in FY2010, reminders are typically mailed to those who applied in the previous year if they have not filed by March 1; 60 abatement applications were approved in FY2010.

The director of assessing has been in Westfield since 2001. He is responsible for oversight of all assessing activities. He works closely with the auditor and is responsible for submitting the city's tax recapitulation sheet to the DOR for setting the tax rate each year. He meets with the board of assessors regularly in advance of major assessing decisions such as setting the overlay reserve and new growth, and acting on abatement requests. These meetings typically involve informal discussions in the director's office during normal business hours and are not usually posted in advance or open to the public. The exception to this is an annual classification hearing as required by law.

The assessing director is responsible for commercial, industrial and personal property valuations and conducts all abatement inspections. His two assistant assessors collect the MLS data and are responsible for all residential inspections and valuations. The assessors measure each property they inspect so that every visit counts towards the city's cyclical reinspection program. Each enters the information from their own inspections into the property database. They spend considerable time out of

the office conducting cyclical inspections during the summer months and perform building permit inspections as they arise. The assistant assessors accompany other city inspectors whenever possible.

There were roughly 400 arms length sales in Westfield in 2009. The clerks do the data entry from deeds and flag the properties for viewing by the inspectors. The inspectors typically go out twice a year to conduct inspections of sales properties. Like most communities, the assessors send a sales questionnaire to every valid sale but the return rate is very low. Other mailings include a forms of list and an annual income and expense statement to commercial/ industrial property owners; again the return rate is relatively low, about 30 percent. The clerical staff update files based on the collected information.

Westfield has adopted Chapter 653 of the Acts of 1989 which allows communities to assess new buildings, structures, or other physical improvements added to real property between January and June for the upcoming fiscal year. As a result, new growth is augmented because construction and improvements made during the first six months of the year are reflected in the assessed valuation of the parcel a fiscal year earlier. Estimating new growth and determining the overlay are his only real involvement in the city's budget process outside of the preparation of the assessing department's budget request. He is admittedly conservative in his estimation of new growth, and usually generates a small overlay surplus.

Westfield uses Vision appraisal software for the assessing office computers to store property data and aid in property valuation analyses. A professional appraisal firm, Roy Bishop & Associates, assists with the interim year revaluations of commercial and industrial properties, apartment buildings and personal property.

The assessor represents the city at the Appellate Tax Board for appeals of residential property taxes. The city's law department, with his support, handles the commercial & industrial appeals; there are currently two cases pending.

Conclusion – Overall, the assessing office performs well. The staff is very experienced and the division of labor is clearly established. All assessing office functions are performed in-house with a minimum amount of outside consulting assistance, an increasingly rare occurrence these days. The two most frequent comments we heard about the city assessor was that he was conservative in estimating new growth and extremely protective of his overlay. We see these as admirable characteristics in an assessor. Conservative revenue estimates help to prevent deficit spending. The overlay should be determined on the basis of past abatement activity and pending ATB cases. If set correctly, it is not an arbitrary amount that is available for spending and should be held in reserve until cases are resolved.

Recommendation 27: Hold Formal Board Meetings and Record Votes

We recommend that the assessors meet once a month, or as needed, to conduct formal votes on assessing decisions in an open session. The three assessors typically meet in the director's office informally in advance of major decisions such as setting the overlay amount and new growth. To satisfy the strict requirement for public meetings and promote transparency in government, the assessors should meet formally in a publicly posted meeting to take formal votes on these issues as well as to act on abatements and exemptions. They could accomplish this simply by posting their regular meetings in advance and opening them to the public. They should also take formal votes to approve the overlay and new growth amounts. We direct the assessor's to the Massachusetts Attorney General's office for information on the Open Meeting Law, as recently amended.⁷

Recommendation 28: Have Assessors Office Sign Off on Occupancy Permits

We recommend that the city revise the occupancy permit form to require an approval from the assessors office before a new permit is issued. The assessors' property valuations are dependent on accurate and up-to-date inspections. Information for the calculation of new growth depends on capturing the increases in valuation from new construction and property improvements. One way to ensure that every improved property is identified for inspection is to require assessing office approval on the occupancy permit.

Recommendation 29: Invest in Notebooks for Inspectors

We recommend that the city invest in notebook computers for the assistant assessors. Advances in technology have brought down the cost and size of personal computers. Since the property appraisers enter their own inspection data it may be more efficient if they were able to do so in the field. This will save staff from transcribing their notes and allow them to enter their observations while they are still fresh in their minds.

⁷ <http://www.mass.gov/?pageID=cagohomepage&L=1&L0=Home&sid=Cago>

Personnel

The Personnel Office is involved in recruiting and hiring new city employees and responsible for processing of employees on commencement of city service. The office also processes the separation of current employees for disciplinary reasons, by layoff and upon retirement. The city school department performs its own personnel functions. A separate Retirement Board and retirement administrator oversee the city's retirement system.

The office is headed by a personnel director who has served since June 2008. He is now assisted by four staff persons, a benefits coordinator, a secretary and two clerks. It is the initial point of entry when the decision is made to hire a new employee for orientation and payroll and benefits enrollment. New hires proceed from the personnel office to the Retirement Board and the treasurer's office for enrollment in the retirement system and life insurance program, respectively.

The office is responsible for the administration of employee benefits. The city provides health insurance to employees, elected officials and retirees. In addition, the city offers voluntary options for a flexible spending plan, a dental plan through Delta Dental, and a deferred compensation plan. The city provides employees a group term life insurance benefit of \$5,000; employees have the option to increase coverage at their own cost; the treasurer's office shares responsibility for administering this benefit..

The city has appointed an insurance task force and uses a health care consultant to manage its health insurance benefits.⁸ While the city self-insures, it has purchased a stop-loss insurance policy to lower its risk and has maintained a healthy balance in its health insurance trust fund. Cost increases have compared favorably to the state's Group Insurance Commission for the last three years. The city offers six health insurance plans including HMO, point of service and PPO options. The employee share of the cost ranges from 20 to 35 percent of the total premium depending on which plan is chosen; the employee pays a greater share of the cost for the more expensive plans so that the city cost of the various options is roughly comparable, except for the most expensive Blue Cross PPO plan.

The personnel director, working closely with the Law Department, is the city's lead negotiator in collective bargaining with the city's 11 unions. All the city's union contracts expired on June 30, 2010 with the exception of the firefighters' union which has been without a contract since July, 2007. In lieu of contracts, the city has entered into Memorandums of Agreement for FY2011 with all employees but for the firefighters.

The office maintains a single secure file of each employee's personnel information. They include copies of the city's policies on personnel matters, sexual harassment, workers' compensation and non-discrimination. Signed copies are maintained in the personnel files. It oversees the drug screening process, including a retesting policy for cases of reasonable suspicion.

⁸ The insurance task force includes the personnel manager, the city treasurer, the school business manager, and two persons appointed by the mayor.

At one time, the city maintained a performance evaluation program for all employees which included employee goal setting, annual performance reviews and mandatory professional development courses for all employees, and a number of voluntary safety and wellness programs for employees. As part of the evaluation process, each department head completed a formalized statement of individual goals for each employee as well as a set of department wide goals. The performance evaluation process has not been required or utilized for the past few years with the change in Mayors and Personnel Directors. The safety and wellness programs have fallen victim to budget cuts.

Conclusion—Westfield’s employment policies are comprehensively defined and accessible to all. The personnel director maintains cordial and professional relations with the city’s unions. The city has typically had more progressive employment practices than many of its peers, including professional development training, performance evaluations and wellness programs. Unfortunately, these practices have lapsed as budget constraints have limited the necessary funding.

Recommendation 30: Organize Personnel Files/Set Policies

We recommend that the city comply with state and federal law as it relates to personnel files. Under state law, there are three types of employee information that must be separately maintained in city hall. A personnel file would include all documents kept by an employer that have been used or may affect that employee’s qualifications for employment, promotion, transfer, additional compensation or disciplinary action. Not included would be “personal information” and medical records protected by the American Disabilities Act and HIPPA. If stored in the same, secure location, personnel, personal, and medical information must be maintained in at least three separate file folders. While not required, it is recommended that a fourth separate folder be included to segregate the federal I-9 form. It is also the responsibility of the city to authorize (restrict), through a written policy, access to employee files.

As a practical legal matter, Westfield should better secure its personnel files. The city should adopt a policy on who is allowed view materials in an employee’s personnel file. In addition, the personnel records are paper files kept in standard file cabinets. The city should evaluate the cost of scanning the files to electronic media, or purchasing fire-proof file cabinets to protect the files.

Recommendation 31: Involve City Auditor in Contract Negotiations

We recommend the personnel director more actively involve the city auditor in contract negotiations. The city auditor is very knowledgeable of the city’s financial condition and financial procedures. She can be a valuable resource to the personnel director in presenting the financial implications of various contract proposals and how they will impact the city’s fiscal position. In addition, she can apprise the personnel director and the union negotiator on how contracts can adversely affect the workload of other departments because of the financial procedures set up to provide the necessary checks and balances. For example, we heard that during the most recent contract, negotiated changes to base pay were scheduled to take effect during the middle of a work week. This added to the

workload of staff in every department because it required them to calculate an employee's compensation using multiple pay rates. This might have been avoided if the auditor had been involved.

Recommendation 32: Utilize MUNIS “Next Change Date” Feature

We recommend the personnel department take advantage of the MUNIS software to flag employee step raises. Currently, the employee is responsible for reminding the payroll clerk to put his or her step raise on the payroll, at which time staff in the personnel and auditing offices check to make sure it is correct. MUNIS does have a mechanism to do this called the “Next Change Date” which will keep track of and flag scheduled payroll changes. We were told that the school department does use this feature and that it works well for them.

Purchasing

The Westfield purchasing department is staffed by a full-time purchasing director and a full-time buyer. The department has a major role in the purchase order process and primary responsibility to ensure the city's compliance with the state procurement statute - M.G.L. Chapter 30B. According to its website, the department:

- Provides procurement support to city departments and commissions;
- Coordinates the disposal of surplus property and supplies;
- Verifies city purchases of goods and services obey the applicable laws and ordinances;
- Ensures that all purchases are obtained in the best interest of the city; and
- Maintains procurement records in accordance with MGL c30B, MGL c149, MGL c30§39M.

Most of the department's activity is triggered by the Requisition/Purchase Order (PO) process. Every municipal purchase of goods or services requires a PO and those above \$5,000 in amount require the execution of a contract. City departments make purchases under single, as well as blanket, POs. Although the MUNIS purchase order module is used and departments submit PO requisitions electronically, the process causes a substantial amount of paper to move between and among the submitting department, the purchasing department, the auditor's office and mayor's office. In FY2010, approximately 24,000 POs were processed, each of which generated a five-part form resulting in the municipal consumption of over 120,000 sheets of paper. Vendor payment schedules, produced in triplicate, added to the total.

Conclusion - The PO process is comprehensive. Each person involved in the process understands their respective responsibilities. Financial controls are in place. Nonetheless it has the feel of a cumbersome process and creates the sense that there are excess steps. Whether or not this is true, we are aware that the MUNIS PO module possesses significant electronic capability and we encourage the city to explore how it might utilize available options.

Below, we offer suggestions for streamlining the PO process. We understand that the recommendations deviate from established practices, but know that they work in other municipalities. The auditor and the purchasing director should have an objective discussion about what steps in the current process are truly necessary and which are not.

Recommendation 33: Reduce Paper Consumption

We recommend the city abandon the five-part purchase order form. Once the single hardcopy of the PO has been approved by the purchasing department, the auditor and the mayor, the original and one vendor copy can be delivered to the department. Because the approved PO has been posted to the MUNIS system, the purchasing department doesn't need a hardcopy. The auditor will receive the PO later from the department attached to the invoice, so she does not need a copy in advance.

Recommendation 34: Reduce Number of Vendor Payment Schedules

We recommend departments generate one schedule of vendor payments. Departments create three schedules of vendor payments which include all invoices with POs attached. The department keeps one copy of the schedule and sends two copies to the auditor. The auditor routinely sends one of her two copies back to the department confirming vendor payment or when there are questions or errors to be addressed. In most communities, departments prepare only one copy of a schedule. The original invoice and PO are retained on-file in the auditor's office. Departments have read-only access to MUNIS budget reports where the vendor information can be tracked. The same information is included on monthly expenditure reports that each department receives from the auditor. We often recommend that departments maintain a spreadsheet that logs all vendor payments that would be reconciled to the auditor's record of departmental expenditures each month. When vendor issues arise, original source documents can be researched in the auditor's office. Departments may retain copies of invoices, but it is not necessary.

Recommendation 35: Consolidate Review Tasks

We recommend the city consider merging auditing and purchasing PO responsibilities. The PO process can be simplified if one person reviews a requisition to ensure compliance with procurement rules and completes the auditor's verification process. If the requisition is in order and approvals are obtained from the auditor and mayor, then the PO can be approved in MUNIS and the expenditure amount can be encumbered. If any problems arise, they can be immediately addressed. Once the goods or services are delivered, the department head would send a schedule of payments to the auditor's office where invoices would be matched to POs prior to being placed on the vendor warrant. It has already been determined at the start that there are sufficient funds and the proposed expenditure is appropriate. These two changes would eliminate much of the back-and forth that currently takes place.

Recommendation 36: Set a Purchase Order Threshold.

We recommend the city institute a purchase order (PO) threshold. In Westfield, all departmental purchases, regardless of the expenditure amount, require a PO. Under this policy, the purchasing department processed 24,000 POs in FY2010 which demanded the time of the department staff, purchasing personnel, auditor's office and the mayor. By using blanket POs, the city has already acknowledged that an individual PO is not needed for all purchases. Many communities have addressed this issue by establishing a dollar threshold (e.g., \$250, \$500, \$1,000, etc.) under which a PO is not necessary. As long as department heads do not overspend accounts and the auditor's office completes the invoice verification process, more stringent financial controls are not justified. If the mayor wants to monitor spending, he should receive a copy of the departmental expenditure report which the auditor is required to produce each month.

Acknowledgements

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