



*Town of Winchester*

*Financial Management Review*

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*Municipal Data Management and Technical Assistance Bureau*

*December 2001*

## INTRODUCTION

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At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the town of Winchester.

We have based our findings and recommendations on site visits by a technical assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits, the team interviewed members of the board of selectmen and finance committee, the town manager and assistant town manager, comptroller, assessor, treasurer/collector and staff members, as available, in each office. Among others interviewed were the MIS director, the retirement board administrator, and the school superintendent.

DLS staff examined such documents as the tax rate recapitulation sheet, town reports, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness and other assorted financial documents.

In reviewing the existing financial management, we have focused on: (1) the town government structure in the context of the duties and responsibilities of financial officers; (2) the town's budget 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 town's success in maximizing resources and minimizing costs.

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

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## EXECUTIVE SUMMARY

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Winchester is town of approximately 20,000 people that is well-located eight miles north of Boston inside the Route 128 belt. It offers good access to the attractions of the city, to the downtown financial business district and to Logan International Airport. Equally proximate are major retail outlets, first class office and high-tech companies along Route 128 and within the I-93 corridor. Over time, the influence of geography, together with a pattern local decision making aimed at preserving the town's character, have advanced the evolution of Winchester from a mill town to a substantially built-out, bedroom community.

Today, Winchester is a predominantly residential town with a population that has remained virtually unchanged over the last 20 years. Of the 5.9 square miles within town boundaries fewer than four acres are devoted to commercial and industrial uses. Consequently, homeowners have historically carried the tax burden. Of the total tax levy in FY00, 93.5 percent was raised through assessments to residential properties. Since 1993, total tax dollars raised from residential properties increased 41 percent, while the combined tax revenue attributable to commercial and industrial parcels increased less than one percent.

These factors together with a high demand for local services have caused the town's FY00 tax bill for an average single family home to reach \$5,175 - 13<sup>th</sup> highest in the Commonwealth. However, as an indication of the town's strong appeal among homebuyers, Winchester also ranks high among Massachusetts cities and towns in the equalized valuation of its property on a per capita basis, and has the 13<sup>th</sup> highest per capita income (\$30,615 as of 1989) in the state. Further, the median sale price of a single family home is \$493,000, up from \$230,000 in 1992.

Concern over rising tax pressure on the residential property owners prompted formation of the Financial Advisory Committee to the Selectmen, or FACTS Committee. In an exhaustive report, the committee presented an analysis of past fiscal trends, an assessment of current conditions and recommendations for change touching all aspects of town government. At the same time, the town is adjusting to a new town manager and to a finance committee which has experienced a significant turnover in membership. The transitions taking place have brought into focus the need for local government to operate differently than it has in the past. In this context, a request was placed with the Department of Revenue's (DOR) Division of Local Services (DLS) to complete a financial management review of the town.

Beginning below is a summary of our financial management review, followed by a more detailed discussion of our observations and recommendations.

Technology (page 4) — On a current day-to-day basis, the town's activities in the area of computers and technology appear disjointed. By job description, MIS-related duties are dispersed among three people. Town hall staff is not certain what resources are available to them, and full advantage of available technology is not being taken on a departmental basis. By hiring a full-time MIS director in FY2000, some of these issues have received attention, but that effort is stalled with her departure on temporary leave. Our recommendations seek to concentrate technology duties in one person and otherwise clarify roles. We encourage greater communication between the MIS director and town hall staff, and recommend the development of an in-house training program to raise the level of computer proficiency among staff. We underscore the importance of including the MIS director, collector/treasurer and other end-users in decisions concerning financial management software. We offer guidelines in establishing

vendor relations and recommend that the town adopt a mechanism to monitor its technology condition and order its priorities.

Financial Management & Budgeting (page 9) — Upon review of the town's overall financial management, we have made recommendations in several areas of general practice. We recommend that the selectmen and finance committee meet with the town manager in advance of the budget process to review projected revenues and discuss issues facing the town. We recommend that the town formally adopt enterprise fund accounting for water and for sewer services and that revolving funds be reconsidered in the context of statutory requirements. In addition to preparation of its capital funding request to town meeting, we recommend that the capital planning committee complete an inventory of all town and school fixed assets. Such an inventory would function as a valuable tool in establishing capital investment priorities, in setting debt management policies and in anticipation of Governmental Accounting Standards Board (GASB) Statement 34 accounting requirements.

Collector/Treasurer (page 13) — More than any other town hall office, the collector/treasurer's office lags behind in the use of computers. The Access financial system is not utilized to its full capability and the advantages of Excel spreadsheets are not realized. Therefore, we recommend staff receive training in the use of Excel so that the cashbook, internal reconciliations, departmental turnover reports and the schedule of treasurer's receipts can be maintained on, and easily transferred as, simple spreadsheets rather than as manual records. We recommend that the staff monitor and review postings and possible credit balances on a regular basis. We recommend that the town acquire tax bill scanners to help the collector's staff post payments and that departments turn over their cash receipts to the treasurer more frequently. Finally, we recommend that a town bank account be established to receive deposits by the deputy collector.

Comptroller (page 19) — The comptroller's office maintains the general ledger and prepares payroll and expense warrants. Staff also devote time to peripheral duties unrelated to the accounting function which may, in turn, impact the ability of the office to complete requisite reports. Specifically, the town has not always been timely in the preparation and submission of its balance sheet and annual Schedule A to DOR, nor in the regular production of financial reports for in-house use. The failure to complete a balance sheet at the end of FY00 led to the use of free cash prior to certification at the spring 2000 town meeting. The DLS' Director of Accounts subsequently nullified the appropriation of free cash and required the town to produce a new balance sheet so that free cash could be certified and re-voted. At risk for the town was a delay in the approval of its tax rate for FY01 and a corresponding delay in sending out tax bills.

Addressing these issues, we recommend that most, non-accounting related functions be removed from the comptroller's office. In the absence of these duties, the comptroller and his staff can focus on the maintenance of up-to-date records and on the production of accurate and timely reports. Time management takes on added significance if the town chooses to implement the recommendations of this report. In that event, the comptroller would have heavy involvement in setting up enterprise funds, establishing a new chart of accounts including school accounts, and adjusting to new financial management software. We also make recommendations advocating a more diligent approach to the reconciliation of cash and receivables, and to planning in anticipation of GASB Statement 34.

In response to issues involving the school department, we recommend the school department submit all executed union contracts to the comptroller's office and that school payroll warrants

be submitted to the comptroller with signed approval of the school committee. To ensure the exchange of accurate information concerning school payroll and personnel files, we recommend the payroll/benefits coordinator meet with her school department counterpart on a quarterly basis to reconcile records.

Assessor (page 23) — It is our overall conclusion that the town assessing office functions well. Consequently, we have made no recommendations.

FACTS Committee (Appendix A, page 25) — We reviewed the FACTS committee's report and regard it as a useful resource for the town. With no intent to assess the findings of the FACTS report, we offer general comments concerning its recommendations. To help town leaders sort out issues, we encourage the committee to select criteria and prioritize its recommendations. We suggest that the FACTS committee search out possible conflicts between its recommendations and state laws, local by-laws and charter provisions. We recommend the town seek alternatives in the existing government structure for achieving report goals rather than reorganize town offices or create new bureaucracies. Finally, we suggest the FACTS committee offer its view as to where responsibility should lie for implementing its recommendations.

Conclusion — In our financial management review, we have addressed issues of efficiency in financial offices and the need for cooperation and communication among officers, staff, boards and committees. We have recommended procedures to ensure town compliance with the requirements of state statutes. We have underscored the importance of maximizing computer utilization and have suggested guidelines for town-wide technology improvements.

However, more than anything else, it is imperative that town financial officers regain control over internal procedures that underpin their ability to keep accurate records and generate timely reports. Through an objective, but critical evaluation of current procedures, available tools and job responsibilities, obstacles to effective financial management can be identified and removed. If not achieved, the resulting loss of efficiency in one office has the potential to negatively impact other financial offices and functions. On the other hand, a commitment to these procedures ensures that the system of fiscal checks and balances established by state statutes and through administrative regulations will remain intact as town government carries out its fiduciary responsibility to protect the public interest.

## TECHNOLOGY

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The Winchester town hall is computer networked to the extent that 90% of its offices have e-mail capability and Internet access. All town hall computers operate off two servers, one of which is dedicated solely to Access financial management software. The second server handles all other software packages, e-mail and applications residing on desktop personal computers (PCs). Because desktop PCs were installed at town hall only this year, staff have had brief exposure to applications such as Microsoft Word, Excel and Outlook. Each office is set-up with a folder on a server where staff can create spreadsheets and word processing documents. The work product is automatically backed-up as part of network security each day, week and month. Stand-alone software packages in the assessors' office and at retirement board have separate back-up procedures.

As a rule, coordination of technology and computer support has been concentrated in the comptroller's office. The recently hired MIS director reports to the comptroller who retains, on paper, his previously designated responsibilities for computer technology, as does his assistant comptroller/data processing coordinator. Despite training and support contracts, it is not clear that the town's financial management software—Access—has been fully understood or utilized. There is also very little use of Excel spreadsheets despite availability of the application.

Looking forward, the town is exploring possible changes in its financial management software. It would be an early component of a major, town-wide technology upgrade program currently under development. In its comprehensive report on town government, the FACTS committee also addressed these technology issues. Funding for consulting services to develop program specifications was approved at the recent fall town meeting in the amount of \$125,000.

As a matter of policy, DLS endorses most community efforts to advance and expand the role of technology in the operation of local government. In this regard, the town of Winchester appears to be on the verge of an ambitious program to upgrade and add technology. At the same time, it is not the role of DLS in the preparation of this report, or otherwise, to recommend or endorse one software developer or its product over any other. In this context, we offer the following recommendations.

### **FINDING 1: TECHNOLOGY ROLES AND JOB DESCRIPTIONS**

When information technology demands increased, the comptroller took on the added responsibility of "coordinating activities and functions related to the town computer system." After investing in the Access financial software, the town hired one of the vendor's technicians as an assistant comptroller/data processing coordinator "to coordinate computer applications." In FY00, the town filled the position of director of management informational systems who is generally responsible for "directing the operations of the data processing function and furnishing support to all town departments." A comparison of job descriptions suggests an overlap among the three positions.

### **RECOMMENDATION 1: TECHNOLOGY ROLES AND REWRITE JOB DESCRIPTIONS**

We recommend the town manager act to consolidate technology-related responsibilities in one person accountable to the town manager. We suggest that person is most appropriately the MIS director. In doing so, he should also rewrite the job descriptions of the comptroller, assistant comptroller and MIS director to remove any overlap. The town manager should clarify

performance expectations of all three positions in a way that enables the comptroller's positions to concentrate on the accounting activities (see Comptroller's section) and reevaluates the MIS director's current job description in the context of actual town hall needs. He should also assign the MIS director to any committee examining technology upgrades or other computer issues.

## **FINDING 2: EMPLOYEE SUPPORT AND TRAINING; EXPANDED USE OF SPREADSHEETS AND DATABASES**

The assessors' staff and the retirement board staff appear to be well-trained and proficient in the operation of Patriot and TACS software, respectively, as is the town clerk in the Softwrite program. Less than full utilization of the Access financial software seems attributable to uncertainty about what the software can do, particularly in regard to its ability to generate financial reports. The opportunity to create Excel spreadsheets only arose a few months ago with the arrival of desktop PCs. A two-day training session was not widely publicized, not well attended and, as a result, Excel is not now widely utilized. In general, the internal computer support structure does not appear well defined. The reaction from most town hall offices is that there is no visible on-going program or consistent effort to reach out to staff leaving many unaware that support resources are available.

## **RECOMMENDATION 2: EMPLOYEE SUPPORT AND TRAINING; EXPANDED USE OF SPREADSHEETS AND DATABASES**

We recommend the MIS director determine the full report writing capability of the Access financial software. Whether or not the Access software can generate certain reports would impact its value to the town and bear on future decisions concerning software changes. If the capability exists, it would immediately improve financial management. The MIS director should also ascertain whether further training for staff in the use of the Access software is necessary to fully utilize its report writing features.

We recommend the town sponsor an on-going program to train staff in the use of Excel spreadsheets and/or Access database software. For less complex tasks, spreadsheets and simple databases can help organize the data and records of many town hall departments. With appropriate training, staff would better understand not only how to use the applications, but how the applications can help accomplish particular goals. However, where training was previously conducted over one or two days, an alternative approach might offer an introductory session followed by on-going, refresher classes. On-call availability of the MIS director to town hall offices might also fill this need.

Faced with a long wait before new, or upgraded, financial management software would be fully implemented, the utilization of spreadsheets and databases represents an interim, step forward toward the more efficient, automation of certain tasks. In particular, operating with a general absence of computerization, the collector/treasurer's office would immediately benefit.

We also recommend the MIS director take a closer look at all software in use in the town. For example, the "Softwrite" software (town clerk's office) appears to function well as a simple database application and might represent an inexpensive alternative to upgrading computer capability in other offices. However, whatever software product is used should interface with other programs like the Access software. One of the basic advantages of computer networking and compatible software is the ability to input information once and transfer it to various other files, programs or offices as required. Avoided is the need to produce manual documents from

which information is re-keyed at another computer station. This duplication creates inefficiencies and increases the potential for posting errors. Therefore, the town should ensure that all software under consideration supports the electronic transfer of data on the town's network and is compatible with other software packages in use.

We recommend the MIS director clarify her role and availability to town hall employees. Among the duties of the MIS Director should be steps designed to improve communication with town hall staff. Town hall computer users should be continually reminded of the type of computer systems and software support that is available in-house, and how to obtain it. They should receive policy statements on the use of e-mail and Internet access. In short, staff should be encouraged to elevate their proficiency in the use of computers and software.

### **FINDING 3: SELECTION PROCESS FOR FINANCIAL MANAGEMENT SOFTWARE**

A committee originating out of the town manager's office is researching financial management software packages as part of a process to decide whether or not to replace the town's Access financial software. While the committee has computer technical expertise from the schools and private citizens, the comptroller and town manager are the only end-users represented on it. The town has contacted prospective software providers and had vendor presentations. At the recent fall town meeting, \$125,000 was approved for consulting services to develop specifications for software and technology equipment upgrades town wide.

### **RECOMMENDATION 3: SELECTION PROCESS FOR FINANCIAL MANAGEMENT SOFTWARE**

We recommend the collector/treasurer and a representative from the school finance department be involved in software decisions. Since the collector/treasurer's as well as the comptroller's offices rely heavily on computer applications, they should each have representation on the selection committee, or have meaningful input into the discussion and decision relative to financial management software. To ensure that a new software package responds to the demands, particularly school department needs to satisfy Department of Education (DOE) reporting requirements and avoiding potential duplicate records, a representative from the school finance department should be involved in the process as well.

In general, and as part of the software selection process, we strongly encourage town officials to contact their counterparts in other communities which have some experience with the software under consideration in Winchester. Company sale demonstrations are almost always impressive, but real insight into the capability and performance of software is best gained through the observations of real-life users.

We also emphasize that, regarding financial management software, a decision to switch will involve a major expense for software and training, as well as for the possible purchase of new equipment. There will be potential data conversion issues, a cost associated with inevitable departmental downtime and frustrations associated with a steep learning curve. Finally, the town will have to be satisfied that the new company can provide timely and effective support service. In addition, the town may find it necessary to operate dual management systems simultaneously until the new software is fully operational and the staff is sufficiently proficient in its use.



**FINDING 4: INTERIM MIS RESPONSIBILITIES**

The MIS Director is currently on a 12-week leave from her position. Prior to her leave, she recommended that the town contract with an independent consultant to fill the day-to-day support needs. She also suggested an e-mail account be established to facilitate communication of technology related problems to an outside consultant. We are not aware that a plan is in place to account for MIS director responsibilities in her absence.

**RECOMMENDATION 4: INTERIM MIS RESPONSIBILITIES**

We recommend that the town manager arrange for computer and systems support services during the temporary absence of the MIS Director. The town manager must devise a plan that keeps the MIS director in contact with town hall and/or establishes temporary alternatives for support resources. The town manager should also remain in regular communication with the MIS director during her leave to ensure a smooth transition upon her return.

**FINDING 5: VENDOR RELATIONSHIPS**

The comptroller and collector/treasurer operate financial management software developed by Access International. The assessors' also use the Access software, but rely primarily on Patriot appraisal software. The retirement board computers are equipped with, TACS, a specialized software system and the town clerk uses "Softwrite," a no-frills database software. Earlier this year, desktop capacity was added for the first time throughout town hall offices with the purchase of PCs operating Windows 98. At present, the town has separate technical support contracts with Access International, Compaq (mainframe), Patriot, Softwrite and TACS vendors.

**RECOMMENDATION 5: VENDOR RELATIONSHIP**

We recommend that the town identify the MIS director as the "first point of contact" for dealing with vendor support. Software companies generally prefer, and some actually require, the designation of a single contact person by those who purchase their product. Under this system, users (staff) would report problems and/or needs to the computer systems administrator, and not to the vendor directly. As a practical matter, the exceptions to this rule might involve the assessors, the retirement board and the clerk. However, all vendor contacts should be reported to and logged by the MIS director.

The point person can prioritize the town's computer issues when presented to the vendor, ensuring that the most urgent issues get immediate attention. She can maintain a request log to track incidents requiring in-house or vendor intervention. A log can reveal specific areas of the system proving problematic from a technical standpoint, or that require additional training of users. The log can also serve as a mechanism to ensure that all requests are solved in a timely fashion. The point person would also be in a position to make repeated calls, when necessary, to an unresponsive vendor. This relieves town hall staff from diverting workday time to the task. When appropriate, a staff member can always be placed in contact with technicians to resolve a computer problem.

We recommend the MIS director retain a copy of and review all computer vendor contracts with the town. As a repository of all computer contracts, the MIS director can be a single source for budget and planning purposes of information concerning expiration dates and renewal costs. She must also become familiar with the terms of the agreement between each vendor and the

town. She must be certain of vendor support obligations and ensure that town personnel follow the vendors' support request procedures. She should persistently pursue satisfaction when in the belief that a company has failed to fulfill the terms of its contract. And, she must be willing to move the town's complaint up the company hierarchy when warranted.

We recommend that the town contact the vendor about existing user groups. Whether or not software users have the same problems, peer relationships and the collective analysis that emerge from a user group can be effective in resolving problems. At the same time, the number of calls to vendor support lines will diminish resulting in cost savings. Vendors will know of user groups or can provide a list of communities in Massachusetts using their software.

#### **FINDING 6: PRIORITIZING TECHNOLOGY GOALS**

It is our understanding that a task force was formed in 1997 to report on the town's technology condition. However, a report is not available. More recently, the FACTS committee examined the status of computer technology in town government. We are advised that funding will be sought at town meeting for a broad technology program. Goals would encompass financial management software, a GIS system, and computer upgrades for the police and fire departments.

#### **RECOMMENDATION 6: PRIORITIZING TECHNOLOGY GOALS**

We recommend the logical order of technology goals be established. As the town's technology program moves forward, the priority of tasks to be completed will be dictated in some measure by logical order. It will make sense that certain installations, upgrades or improvements are, by necessity, completed before the plan can move forward to the next level. Timing is equally important. As each element of the technology plan takes shape, a greater burden will be placed on the MIS administrator. On a gradual basis, it should become evident whether or not the MIS position, as defined, is adequate to the job demands as they evolve. The town should be prepared to make adjustments in personnel or procedures as the need arises.

We recommend the town retain a mechanism to report on the town's technology condition. A periodic report, or assessment, of the town's technology status would serve as a useful tool to evaluate the performance of hardware and software in town departments, to identify and prioritize the need for upgrades and to recommend the adoption of new technologies. Such a report might be completed by the MIS director or by the technology planning committee, if retained as a standing committee. The software and hardware recommendations made or drawn from the report would be incorporated into a long-term capital planning program.

## FINANCIAL MANAGEMENT & BUDGETING

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When the town of Winchester adopted its charter in 1975, it established a strong town manager's position. The town manager appoints most department heads<sup>1</sup> and prepares the town budget proposal for the finance committee's review and recommendations to town meeting. In addition, the town manager has the power to sign the town warrants. A full-time, assistant town manager also plays a meaningful role in the administration of the town's fiscal affairs.

The town's operating budget is over \$50 million and is made up of a number of growing departments. As such, the town manager's office needs to be constantly informed of the ongoing operations and issues so that his annual budget proposals fully address the town's needs given the available revenues. In addition to the budget, the town manager annually prepares a capital-planning budget based on recommendations of the capital planning committee and recommends appropriations to the town's Stabilization Fund. Like many communities, Winchester has been able to fund its budget, most of its capital needs and place funds in reserves for future use; however, the town is concerned that it will be facing financial constraints in the near future. Specifically, there is a growing list of large capital expenditures (e.g., school construction, flood control projects, infrastructure) and increasing demands for local services. As previously noted, the town appointed the FACTS committee to study the town operations and finances and to present recommendations for improvement.

### FINDING 1: BUDGET PROCESS

Prior to soliciting departmental requests for the ensuing fiscal budget, the town manager prepares preliminary revenue estimates, which are presented to the selectmen in the fall. Based on the preliminary revenue estimates and discussions with the selectmen, the town manager distributes the budget package, including guidelines, worksheets and calendar of events. Departments fill out the worksheets and return them to the manager's office. The manager's final proposal of revenues and expenditures is presented to the selectmen and the finance committee. Once received, the finance committee begins its review and departmental hearings. Its final recommendations, including capital expenditures, are presented to town meeting in the spring.

### RECOMMENDATION 1: BUDGET PROCESS

We recommend that the town manager present preliminary and revised revenue estimates to both the selectmen and the finance committee during the budget process. The joint meeting of these policymaking boards with the town manager will ensure that all are fully informed of the financial position of the town. The meeting will also present a forum where current and anticipated issues can be raised and discussed.

We also recommend that, prior to presenting recommendations to town meeting, the finance committee and selectmen meet to review the latest revenue estimates and to discuss the final recommendations. Given the town's projected budgetary constraints and competing capital needs, meeting before town meeting will enable these policymaking boards to establish a consensus and discuss their priorities if additional revenues become available.

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<sup>1</sup> The exceptions are the comptroller, town counsel and the director of assessing.

**FINDING 2: CAPITAL PLANNING**

The Winchester capital planning committee is established by local by-law where its membership is identified and its duties related to the budget process are enumerated. On an annual basis, the committee determines the status of approved projects; compiles, evaluates and prioritizes new project requests; and develops a capital improvement plan with the town manager for presentation to town meeting. The committee is effective in this regard. However, the committee's ability to assess the town's financial capacity is hindered somewhat by the absence of financial management information for long-term planning (see Multi-year Forecasting below). Also lacking is an inventory of existing facilities and depreciable assets, a new reporting requirement of GASB Statement 34 beginning in FY03.

**RECOMMENDATION 2: CAPITAL PLANNING**

We recommend that the capital planning committee prepare a preliminary inventory of all town and school buildings, equipment and assets. This inventory record should note the acquisition or construction year, original cost, the date and amount of the last improvement, its condition and extent of use. The need for renewal, replacement, expansion or retirement should also be documented. When viewed together, the inventory and annual requests from departments should provide a complete picture of the town's infrastructure condition and future needs. Simultaneously, this data is crucial to the board of selectmen as it works with the town manager and finance committee developing budgetary guidelines. Ultimately, the capital planning committee must also consider this information together with a debt schedule when developing its priorities and funding program.

In anticipation of GASB Statement 34, the capital planning committee should also be prepared to incorporate an inventory of town utilities, roads and sewers into its plan. Achieving compliance with GASB Statement 34 is likely to be a coordinated effort of various town departments in accordance with official guidelines yet to be published by the Bureau of Accounts.

**FINDING 3: MULTI-YEAR FORECASTING**

As a part of the annual budget process, the town manager prepares a year's revenue projections to offset the proposed budget and capital plan. The manager does not prepare a multi-year revenue and expenditure forecast. A forecast is a financial planning tool which projects revenues in excess of expenditures or funds available for discretionary purposes. The availability of excess revenues serves as an estimate of the town's financial capacity – the ability to expand existing programs, initiate new ones, provide for salary and wage increases, or finance additional capital expenditures. As part of its effort, the FACTS committee prepared a multi-year forecast for town officials.

**RECOMMENDATION 3: MULTI-YEAR FORECASTING**

We recommend that the town manager's office develop and maintain a multi-year revenue and expenditure forecast, updating it periodically as information and numbers change. Because of the difficulty of projecting some information into the future, it is suggested that the forecast be between three and five years. In conjunction with the capital plan, a forecast should be used by the policymakers to evaluate budget requests with multi-year impacts and to develop long-range financial plans. The forecasts developed by the FACTS committee might represent a good starting point for the town manager's office and should be reviewed.

#### **FINDING 4: APPROPRIATIONS TO THE STABILIZATION FUND**

In recent years, as a part of the budgeting and capital planning process, the town has appropriated money to its Stabilization Fund for specific future uses. These purposes have included the town's North East Solid Waste Committee expenses (NESWC), school building projects and various capital projects. According to Massachusetts General Law (MGL) Ch. 40 §5B, funds appropriations to the Stabilization Fund are available for any lawful purpose upon a two-thirds vote of town meeting.

#### **RECOMMENDATION 4: APPROPRIATIONS TO THE STABILIZATION FUND**

We recommend that the town discontinue the practice of appropriating funds to the Stabilization Fund with restricted purposes. The statute does not enable the community to restrict the use of the funds or bind future town meetings to these restrictions. Only by special legislation could a community set up such a restricted fund. However, the town may still express its preference or hope that funds appropriated to the Stabilization Fund be used in a particularly way, as long as the town recognizes such expression of preference or hope is non-binding.

#### **FINDING 5: ACCOUNTING FOR WATER AND SEWER OPERATIONS**

The town's water and sewer operations are accounted for in the general fund. However, the annual appropriations for these operations are approved separate from the town budget. These operations are funded through user fees, except for the debt service costs that are funded with debt exclusions under the provisions of Chapter 110 of the Acts of 1993<sup>2</sup>. These operations are also referred to as "enterprise-like" funds because of the accounting of direct, indirect and insurance costs of the operations. And any surplus (or deficit) that is attributable to these operations is identified in the annual analysis of the town's projected free cash.

Currently, local governments may account for these activities in the general fund, a special revenue fund or an enterprise fund. Because of the changes in governmental accounting standards promulgated by GASB Statement 34, however, communities will be required to report these activities on an enterprise fund basis within the next few years. Failure to conform to these reporting standards may jeopardize their ability to obtain clean audit reports, which in turn may result in lower bond ratings. According to some local officials, the town has not adopted MGL Ch. 44 §53F½, the enterprise fund accounting enabling legislation, because the operations are not fully funded with water and sewer revenues, and because town meeting does not wish to relinquish rate setting authority. MGL Ch. 44 §53F ½ does not require the service be self-supporting but does require that subsidies (i.e., Chapter 110 debt exclusions) from the general fund be identified and budgeted when setting the community's tax rate. The statute does not speak to the rate setting process which is subject to local bylaws. In this regard, Chapter 7, Section 3 of the Winchester bylaws states that "water rates shall be set by the town meeting."

#### **RECOMMENDATION 5: ACCOUNTING FOR WATER AND SEWER OPERATIONS**

We recommend that the town adopt enterprise fund accounting for its water and sewer operations through acceptance of MGL Ch. 44 §53F½. Given the fact that the direct and indirect costs to provide these services are already accounted for, the acceptance of this statute is only a formality and will assist the community in complying with GASB Statement 34. In addition to fully

<sup>2</sup> The town accepted this local option legislation in 1995, shifting the debt costs from the user fees to the tax levy.

demonstrating the true cost of these operations, any interest earned on the operating revenues and surpluses generated at year-end would be retained in the funds. Once a surplus is certified as available (similar to free cash), it may be used to fund operating, capital or debt service costs associated with the water or sewer operation.

#### **FINDING 6: REVOLVING FUNDS**

A departmental revolving fund is a special fund authorized by MGL Ch. 44 §53E½ to provide communities with some flexibility in budgeting for programs and services supported by user fees or charges. While this funding mechanism is intended to be flexible, the departmental revolving fund has some limitations on its use. Among them, it does not permit revolving funds for water, sewer and hospital receipts and there must be a direct connection between the fee or charge and the program or service.

Among the four revolving funds established by town meeting, questions arise concerning revolving funds for water and sewer connection revenues and for transfer and recycling center revenues. The enabling legislation clearly prohibits water and sewer receipt revolving funds. The transfer and recycling center revolving fund was created, in part, to use revenues generated from the resale of recycling materials in the secondary market to offset recycling costs. It's our understanding this market is in decline which could leave the program without sufficient revenues.

#### **RECOMMENDATION 6: REVOLVING FUNDS**

We recommend that the town discontinue the water and sewer connection revolving fund. The legislation clearly prohibits this purpose. If the town adopts enterprise fund accounting, these revenues can be included in the enterprise fund budget and segregated from the general fund.

We recommend that the town reconsider the transfer and recycling center revolving fund. Given the noted market decline and potential loss of revenues, there is a risk that recycling costs would not be covered from program receipts. To insure against this occurrence, the community should consider creating a line-item appropriation for the recycling budget and taking the recycling revenues in as a general receipt. This would eliminate the need for a revolving fund.

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## COLLECTOR/TREASURER'S OFFICE

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The collector/treasurer's office is staffed by the appointed collector/treasurer, an assistant collector/treasurer, two clerks and a part-time parking hearing officer. The collector/treasurer has served the town since 1971 and been in her present position since 1975.

On the treasury side, the office is responsible for cash management, including the investment, disbursement and borrowing of cash, and property foreclosures. On the collection side, the office is responsible for collecting approximately 7,830 property tax bills quarterly, 20,000 motor vehicle excise bills annually, 6,000 combined water and sewer bills quarterly, 60 boat excise bills annually and commercial hauling bills. The town's deputy collector prints and mails the motor vehicle excise bills, another vendor prints and mails the property tax and water/sewer bills, the assessors print the boat excise bills and the DPW bills the commercial haulers for waste deposited at the town transfer station. The staff has been trained in all the collection functions, including preparing mailings, issuing demand notices for delinquent accounts and preparing municipal lien certificates. Generally, the office issues demand notices once the real estate taxes become past due, but delays initiating tax title takings, until after its deputy collector has made an effort to obtain payments.

Since 1993, this office has had the Access financial system software for collection activities and the preparation of municipal lien certificates. All in-house postings are done manually because the office does not have any scanning devices. Up until the spring of 2000, the staff had no word processing and/or spreadsheet capabilities to automate and streamline activities. In the spring, the town installed new computers with Office 98 products and provided limited training for beginners. One staff member familiar with spreadsheet programs has started placing tax title accounts, deferred taxes (MGL Ch. 59 §5(41A)) and some bank account information on spreadsheets for the collector/treasurer.

The town receives payments by lock box service and at the counter. According to the collector/treasurer, approximately half of all real estate, personal property motor vehicle excise and water/sewer bills collected are sent directly to the lock box service with the remaining bills coming to the office. A courier transports partial, late or combined payments received by the lock box service to the collector/treasurer's office for posting and deposit. Of the remaining over the counter payments, approximately half are received in cash or are late, partial or combined payments that must be posted and deposited by the staff. All timely check payments that match the billable amounts are sent via the courier to the lockbox service. As a result, the collector/treasurer estimates the lock box service processes and deposits about 75 percent of the town's collection bills. The lock box service sends the collector a computer tape of collection information daily which the staff reviews, corrects as needed, and uploads the information to the Access financial system for posting.

From time to time, the treasurer seeks services from the town counsel. At her request, the town counsel will assist her in pursuing delinquent and tax title accounts. Reportedly, he sets up payment plans in some instances or sends letters to real estate property owners with large tax title balances, threatening foreclosure proceedings. His activities have produced positive results, reduced outstanding amounts and increased cash.

The town also uses the services of a deputy collector. Once a motor vehicle or real estate bill becomes delinquent, the town issues a demand bill. If the past due amount is not paid, the town turns the past due bills over to the deputy collector for service. The deputy marks the motor

vehicle delinquent's registration for non-renewal status at the Registry of Motor Vehicles and collects some of the delinquent real estate.

The town meeting annually authorizes the treasurer to enter into a compensating balance agreement with the town's lock box service. Annually, the treasurer files timely compensating balance and statement of indebtedness reports with DOR. The office reports that it reconciles its cash and receivable accounts with the comptroller's office on a monthly basis and files timely quarterly cash reconciliation reports with DOR's Bureau of Accounts (BOA).

#### **FINDING 1: COMPUTER ACTIVITIES AND TRAINING**

As previously mentioned, the collector/treasurer's office has limited computer capability. Until recently, the staff only used the Access financial system, manually posting collections. The town purchased a treasurer's cash receipts module when it acquired the Access financial system, but the software has not been activated. As a result, the staff continues to record the treasurer's cash manually on paper.

With the introduction of the new computers and Microsoft Office 98 products, the office is able to begin to use spreadsheet products to maintain financial information such as the bank account balances and tax title accounts per the suggestion of the private auditor. According to the collector/treasurer, one staff member has been transferring manual information to spreadsheets, but is also responsible for maintaining the files because of the remaining staff's limited familiarity with the software product(s). This situation could leave the office vulnerable to turnover in personnel. For example, if the staff member were to leave the town's employment for any reason, the office may revert back to the manual record keeping system, thereby potentially delaying the availability of financial information and reconciliations.

#### **RECOMMENDATION 1: COMPUTER ACTIVITIES AND TRAINING**

We recommend that the staff receive additional training on the Microsoft Office products. With additional training, the staff will become more familiar with its uses and more than one staff person will be able to create and use spreadsheet documents to maintain financial information. Similar to cross training of the other office functions, it is important that more than one person be familiar with computerized functions in the event that the person primarily responsible for the function is unavailable.

We recommend that the town consider purchasing scanning devices for the collection's staff to post payments. The availability of scanning devices will enable the staff to call up the appropriate account and post payments more quickly without having to enter multiple digit account numbers.

#### **FINDING 2: MAINTAINING THE CASHBOOK AND RECONCILIATIONS**

The cashbook is the source of original entry for recording receipts and deposits, disbursements summarized by warrant and the total cash position of the town. A cashbook provides control which enables the treasurer to reconcile with bank statements, cash on hand, and the general ledger cash balance on a monthly basis. Since many of the accounting records flow from this source document, the cashbook is legally considered a permanent record.

Currently, the treasurer maintains a series of separate hand-written accounting sheets generally for town receipts and deposits, payroll, accounts payable and transfers. When the entries are



merged on a hand-written, reconciliation sheet at the end of the month, the treasurer arrives at the cash position of the town. However, in their present form, these documents do not constitute a cashbook as required by state statute. The relationship between spreadsheets is not immediately clear, nor is the flow of money into and out of town accounts and funds easily traceable.

### **RECOMMENDATION 2: MAINTAINING THE CASHBOOK AND RECONCILIATIONS**

We recommend that the treasurer create and maintain a comprehensive cashbook, and toward that end, more effectively utilize Excel spreadsheets. Under state statutes, the treasurer is required to maintain a cashbook that records 1) *receipts* as reflected in the detail of turnover sheets from the collector and department heads, 2) *deposits* which frequently equal turnover or warrant totals, and 3) *disbursements* as represented by the total payments approved through the warrant together in one document. At the end of each month, the treasurer should internally reconcile the cashbook balance against the bank statements, and externally reconcile the cashbook balance against the accountant's general ledger.

We also recommend that the treasurer complete her monthly cash reconciliation on an Excel spreadsheet. The treasurer produces a hand-written cash reconciliation sheet each month based on bank account transfers, warrants and receipts. By transferring this process to an Excel spreadsheet, data would be keyed-in rather than hand written, and simple arithmetic functions could be incorporated. As a result, data can be more clearly displayed, totals can be automatically calculated, subtotals can be quickly tested and potential errors can be avoided.

### **FINDING 3: DEPARTMENTAL REVENUE REPORTS**

Between April-June 2000, approximately twenty departments and boards that collect fees and other revenues turned over between \$330,000-\$345,000 monthly to the treasurer. These turnovers are recorded on standard Schedule of Departmental Payments to the Treasurer forms that do not include revenue account numbers for easy reference and identification. Some turn over their receipts weekly while others turn over the revenues at least monthly.

It was reported that the treasurer does not prepare a schedule of treasurer's receipts which is a report of all cash received for the comptroller's office. Instead, the comptroller photocopies the treasurer's manual ledger sheets and uses that information to post cash to the general ledger. A schedule of the treasurer's receipts is necessary to verify departmental turnovers reported to the comptroller, ensuring that all receipts are received, deposited and properly recorded on the town's books.

### **RECOMMENDATION 3: DEPARTMENTAL REVENUE TURNOVERS**

We recommend that all receipts be turned over to the treasurer upon their receipt as required by MGL Ch. 44 §53. Some departments take in large sums of cash and prepare a turnover once a month. These funds and a detailed report should be turned over more frequently. This will enhance control and reporting of cash, comply with the law and increase potential interest earnings of the town.

We also recommend that the town customize its departmental turnover sheets rather than using the standardized forms. For each department or board, a turnover sheet should be created in an Excel spreadsheet which clearly lists all the revenues generally handled by that department or

board, including a brief description, operating fund and the revenue account codes. Customized forms will assist the treasurer and accountant to post the revenues efficiently and serve as backup documentation to the entries in the treasurer's cashbook.

Furthermore, we recommend that the treasurer independently prepare and submit a report of cash received by her office to the comptroller's office at least monthly. As previously noted, the treasurer already keeps her cash information on a set of 12-column ledger sheets. Once this information is computerized on an Excel spreadsheet, she should easily be able to produce a schedule of treasurer's receipts report for the comptroller.

#### **FINDING 4: REAL ESTATE TAX CREDIT BALANCES**

The town has a large sum of real estate tax credit balances. According to town records, as of June 30, 2000, the town had \$602,474 in real estate credit balances (Appendix B) that date back to FY1976. According to town officials and their auditor, these credit balances are due to prepayments, excess payments or posting errors. Unfortunately, the staff did not catch these credits timely and is now researching this problem at the insistence of the private auditor.

To account for and manage the town's receivables and verify cash received and recorded, the office currently produces a monthly trial balance, a credit balance report (after receipts are past due), and a receivable detail report at year-end. Despite the availability of these reports, the staff is not identifying credit balances and researching them for accuracy.

#### **RECOMMENDATION 4: REAL ESTATE TAX CREDIT BALANCES**

We recommend that the collector's office establish procedures to produce and review monthly trial balance and quarterly receivable detail reports. By tax type and fiscal year, trial balance reports should summarize the year-to-date activity, including commitment, collections, abatements/exemptions, refunds and outstanding balance amounts. Each report should be verified against other management reports (e.g., commitment warrant, abatement/exemption reports and collector receipt reports and refund warrant). The receivable detail report is a control account and should reconcile to the appropriate trial balance report for the same time period. Together, the trial balance and receivable detail reports should be produced so the office may check its work, identify and correct variances, assist in the reconciliation of receivable balances with the comptroller and help ensure that the town's financial records are accurate.

We recommend that the collector run real estate credit balance reports more frequently. A credit balance report allows the collector to identify accounts that may require research to determine whether a possible prepayment, excess payment or posting error has occurred. It also allows the treasurer to track accounts with unresolved credit balances and to correct them before the close of the fiscal year.

We also recommend that the office begin researching older entries and take all necessary actions to resolve them. While this process will be manual and time consuming, the office will have to research the older entries, clearing them off the tax receivable ledger as time allows. The town may want to consider seeking consulting services to assist it in resolving the older entries. The community should contact its town counsel and the Massachusetts Collectors' & Treasurers' Association for guidance in securing these services.

**FINDING 5: RECEIVABLE BALANCES**

The town's outstanding receivables date back a number of years. Receivables since 1991 are stored on the Access financial system and all other receivables are kept manually. As of June 30, 2000, Winchester's real estate tax, personal property tax, motor vehicle excise and boat excise receivables date back to FY1999, FY1986, FY1973 and FY1999, respectively.

The collector uses her deputy collector to enforce collection of real and motor vehicle assessments, mark the motor vehicle registrations or provide evidence (e.g., death absence, poverty, insolvency or other inability of the persons assessed to pay) that the accounts are uncollectable. The collector does not currently use the deputy collector for outstanding personal property accounts.

Generally, the collector makes new tax takings more than a year after the taxes become past due. At that time, the collector takes the parcel into tax title, or if a tax title already exists on the parcel, certifies the subsequent taxes into that account. Until recently, the tax title records were manual, but the office is in the process of transferring this information to Excel worksheets. In the Access financial system, accounts in tax title are not marked and the amount in tax title is not removed from the receivable balances. As a result, collector's Access receivable records are overstated by the amount of the tax takings. Because of the overstatement, the staff must manipulate the balances to determine the true outstanding amounts for reconciling receivables.

**RECOMMENDATION 5: RECEIVABLE BALANCES**

We recommend that the collector place delinquent real estate accounts into tax title soon after issuing the demand bills and forego the use of the deputy collector. After issuing demand bills, the collector should initiate tax title proceedings in an effort to encourage payment and secure the community's lien on the property. The use of deputy collector services for delinquent real estate bills is not a common practice and is not encouraged by DOR. Deputy collector services are effective for delinquent accounts that have little other means to secure payments such as motor vehicle and personal property accounts. However, where the town's interest is secured by a lien on real estate, the warrant procedure and additional fees associated with deputy collector process is generally viewed as inappropriate as a matter of practice. In the alternative, the collector might issue a letter to delinquent taxpayers co-signed by town counsel explaining the ramifications of non-payment. Such a letter might be sent after demand notices and before pursuing tax takings.

We recommend that the collector/treasurer use the services of the deputy collector to pursue outstanding personal property accounts. The deputy collector may be able to collect money owed the town and/or provide evidence (e.g., death, absence, poverty, insolvency, or other inability of the person assessed to pay) that the accounts are uncollectable. Being reasonably sure that the accounts are uncollectable, the collector should again work with the assessors and Commissioner of Revenue to have them abated and cleared off the town's books.

We also recommend that the office remove tax title amounts from the collector's Access financial system receivables file. Whether the town continues to use the Access financial system or converts to a new system, the staff should be familiar with identifying or marking the affected accounts so that it is clear to users which outstanding amounts have been placed in tax title. These amounts should also be cleared from the collector's receivables and transferred to the

treasurer's receivables so the receivable is appropriately classified and not potentially double counted.

#### **FINDING 6: DEPUTY COLLECTOR FEES**

The town uses the services of a deputy collector to obtain some outstanding payments. According to the collector, the deputy collector turns over collections net of service fees.

A deputy collector may not receive checks for tax payments, which are made out to him as payee, nor may he endorse any instrument, which he receives as a payment for taxes. In addition, a deputy may not deposit municipal funds in a personal bank account nor may he maintain a personal bank account in the name of a community (MGL Ch. 60 §92). A deputy collector must turn over to the collector at least weekly, all amounts he collects or deposits into the community's deputy collector bank account. Each turnover should be accompanied by a detailed report of all funds deposited.

#### **RECOMMENDATION 6: DEPUTY COLLECTOR FEES**

We recommend that the collector establish an interest bearing account for the deposit of all amounts collected by the deputy collector. Complying with MGL Ch. 60 §92, this account should be a joint signature account so that deputy collector fees may be paid by check to the deputy collector once the tax payments have cleared, provided that the withdrawal check is co-signed by the collector.

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## COMPTROLLER'S OFFICE

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The primary responsibility of the comptroller is to perform the accounting function for the town and to maintain the general ledger. In Winchester, the comptroller is also responsible for administration of the financial computer system, management of the payroll, health benefits and workers' compensation claims, and oversight of the town's retirement system. The comptroller supervises the town's general services (e.g., copier maintenance, supplies and mail machine) and serves as the town's veterans' agent.

In addition to the comptroller, other full-time office staff include an assistant comptroller who maintains the general ledger, an accounts payable supervisor and a payroll/benefits coordinator. By job description, the assistant comptroller also serves as the data processing coordinator. As previously noted, this responsibility overlaps with the MIS director's position.

As is typical in local government, the comptroller maintains the general ledger, prepares all payroll and expense warrants, produces trial balances, expenditure and revenue reports, maintains information on town debt, and reconciles cash and receivables with the collector/treasurer. He also prepares reports required by DOR including the town's annual Schedule A, its balance sheet which is necessary to the certification of free cash, and its tax recapitulation sheet which is necessary to the certification of the tax rate.

All staff in the comptroller's office have use of a desktop computer and are connected to the town hall network with e-mail and Internet access. The office uses various modules (e.g., ledger, payroll, accounts payable) in the Access International financial management software as well as Excel spreadsheets. Two departments have been granted the ability to data enter payroll directly into the payroll module. These entries are subsequently reviewed and posted to the general ledger by the comptroller's staff. Otherwise, the comptroller's office data enters all other financial information.

### **FINDING 1: TIMELINESS OF REPORTS**

Since FY94, the town failed to file its Schedule A by established deadlines and, to date, the FY00 report has not been received. In each of the last four fiscal years, free cash was appropriated at regular town meeting prior to the submission of a balance sheet and certification of free cash by DOR. It is also our understanding that trial balances are not regularly completed and that revenue reports are produced intermittently upon request. On the other hand, the town has been timely in the submission of its quarterly reconciliations of cash and its annual tax recapitulation sheet to DOR. In town hall, expenditure reports are generated for the benefit of department heads following warrant action and once per month. However, concerns have been raised by selectmen and finance committee members that expenditure reports have not been available to them on a regular or timely basis.

Within the state statutes, there are reporting requirements and some penalties for non-compliance. Beginning in FY01, certification and use of free cash will be delayed if a community fails to reconcile its cash and receivables as of June 30. More immediately, the absence of trial balances as well as regular expenditure and revenue reports, denies the town valuable tools in monitoring each department's financial status and the town's overall cash position throughout the year.

Failure to produce reports can have serious, unexpected consequences. Because the town's balance sheet at the end of FY99 wasn't completed until June 2000, free cash was not available when it was appropriated at town meeting in April 2000. DLS' Director of Accounts subsequently nullified the action of the town, placing the town's FY01 budget out-of-balance. The 6/30/00 balance sheet was submitted and approved by DOR just in time so the town could use the free cash to balance the FY01 budget at the fall town meeting. Without a certified free cash figure, the town risked a delay in setting its tax rate and in mailing its third quarter tax bills.

We also realize that other departments can inhibit the production of reports when they fail to convey their financial activity to the comptroller. We recognize that over the last year continuing into recent months, increasing demands have been made on the time of the comptroller due to the unexpected loss of a town manager and the work of the FACTS committee. Together with software issues, these may be a factor in delaying the completion of reports. However, the comptroller's peripheral duties, which tend to be unrelated to the accounting function, seem to play a large role.

#### **RECOMMENDATION 1: TIMELINESS OF REPORTS**

We recommend that a priority be placed on the completion and timely submission of required DOR reports and on the production of regular in-house financial reports. Through the town manager, the town must underscore its intent to meet reporting deadlines as a matter of policy and practice, and make known its determination to remove all obstacles to the reporting process. Toward this end, the town manager and the comptroller should agree on a report production timetable. For state deadlines, we direct the town manager to DLS' *Municipal Calendar: A Monthly Guide for Local Officials, 2000*. In-house expenditure reports, revenue reports and trial balances should, as a rule, be completed on a monthly basis within 15 days of the close of the month.

As a further action, the peripheral responsibilities of the comptroller's office should be reallocated to other offices so that uninterrupted focus can be placed on the accounting functions. In the first instance, the information technology staff person should report to the town manager. This is consistent with the global nature of the job and the level at which computer and technology decisions should be made. The mail machine should be relocated to either the collector's office where the largest mailings originate and depart the building or to the town clerk's office where it would continue to be available for use by all town hall departments. Managing the insurance, personnel and the unemployment compensation programs are more often responsibilities of a treasurer's office. The town's retirement board and insurance committee matters might also be transferred to that office. Because the veterans' affairs office appears not to involve major time demands, no action is suggested.

#### **FINDING 2: RECONCILIATIONS OF CASH AND RECEIVABLES**

Every community is required to file a quarterly reconciliation of cash with DOR. It is our understanding that until recently the collector/treasurer and the comptroller had been successful in the reconciliation of cash and receivables. Moving forward, each must be mindful that reconciliations will take on increasing significance. Unless accurate and timely reconciliations of cash and receivables are received by DOR, a community's free cash will not be certified and will not be available for use.

**RECOMMENDATION 2: RECONCILIATIONS OF CASH AND RECEIVABLES**

We recommend that the comptroller and the collector/treasurer agree on a monthly date, to be set in accordance with a master report calendar developed by the town manager, to meet for the sole purpose of reconciling cash and receivables. With the completion of regular and reliable reconciliations, the town will be in compliance with statute and ensure certification of its free cash. Also, it will have a more precise picture of its financial condition and will be better prepared to finalize and close its books at year's end.

**FINDING 3 – SCHOOL EMPLOYEE AND PAYROLL INFORMATION**

School departments are granted a certain amount of fiscal autonomy, but must still comply with state statutes and local procedures with regard to providing certain information and documents to the comptroller. At present, the comptroller has not received copies of union contracts for FY2000 or FY2001 (MGL Ch. 41§57) and school payroll information is transmitted to the comptroller without the requisite signatures of school board members or timesheet documentation (MGL Ch. 41 §41 and §56).

The comptroller needs copies of contracts and backup documentation to verify payroll warrants, while a signed warrant by a majority of the school board, or its designee, is a statutory requirement. Employee action forms help alert the comptroller to new hires and changes in status so that timely payroll adjustments can be made. The absence of timely and accurate employee action forms has caused the comptroller to assign incorrect withholdings or deductions to payroll checks. This has required the town to void payroll checks and reissue new ones and, sometimes, to carry former employees on town benefit rolls after their termination.

**RECOMMENDATION 3 – SCHOOL EMPLOYEE AND PAYROLL INFORMATION**

We recommend the school department forward a copy of all union contracts to the comptroller's office as required by statute.

Furthermore, we recommend the school department submit a payroll warrant signed by a majority of the school committee. Without a signed warrant, the comptroller's office is under no obligation to process the school payroll. The payroll department has the authority to determine the nature and extent of the backup information it requires (e.g., signed timesheets). If there are concerns or if the town changes financial computer systems, the school department should work with the payroll department to resolve issues and identify the reporting needs of the department.

We also recommend that the payroll and school departments meet at least quarterly to review employee enrollment and payroll information to reconcile any differences before problems occur. Similar to the departmental expenditure reports, the payroll department should consider providing the school department with benefit enrollment reports for them to reconcile to their records. In addition, the two departments should make sure they are using the correct tax and benefit deduction tables when initiating or changing employee action form information. This will prevent needless delays in getting the correct information into the payroll system.

**FINDING 4: GASB STATEMENT 34**

GASB Statement 34 is a new accounting and reporting requirement for governmental entities. Specifically, it requires that all governments maintain a capital asset and infrastructure inventory which is reported on the entity's financial statements. The implementation of GASB Statement 34 will be a potentially difficult and complex task for Massachusetts cities and towns. There will be start-up and ongoing costs associated with planning, inventorying, valuing and maintaining the town's fixed assets and infrastructure. There will also be new financial and auditing reporting requirements.

**RECOMMENDATION 4: GASB STATEMENT 34**

We recommend the comptroller begin now to gather preliminary information concerning GASB Statement 34. Although the town will not have to reach full compliance with GASB Statement 34 until the start of FY03, the comptroller should begin now to gather information relative to its implementation, requirements and potential costs from an accounting perspective. As resources, written materials and seminar opportunities are available from GASB and the Government Finance Officers Association (GFOA), and DLS will be preparing guidelines for communities.



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## ASSESSING OFFICE

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A full-time director of assessing, two full-time clerks and one part-time clerk staff the assessing office. The staff works under the general supervision of an elected board of assessors.

The assessing office is responsible for maintaining assessment data on approximately 7,450 real property parcels, 385 personal property accounts, 20,000 motor vehicle excise accounts and 60 boat excise accounts. In addition, the office processes approximately 330 abatements and exemptions, 30 tax deferrals, 850 deed changes and 500 building permits annually.

The director of assessing has worked for the assessors for 10 years. The director manages the office and the town's computer assisted mass appraisal (CAMA) system. The director performs all fieldwork, measuring and listing new and improved properties and re-inspecting all property sales. With the assistance of contractors, the director re-inspected all properties in town between 1996-1998. As time allows, the director periodically inspects additional properties in an effort to maintain the most current property database and capture new growth due to construction and/or improvements performed without a building permit.

The director maintains the town's assessment records on the in-house CAMA system, including compiling analytical reports and property tax commitments. The town purchased its CAMA system in 1990 and updated the operating (Windows-based) and hardware (Dell personal computers) system in 2000. The director performs in-house revaluations and interim year adjustments to property values using the CAMA system.

The clerks maintain all records, process deed transfers, handle exemption and abatement applications, data-enter property and legal information on the CAMA system and handle the motor vehicle excise accounts. In addition, the clerks maintain sewer betterment lien records, handle public inquiries and perform other clerical work as necessary. The staff compiles and generates all DOR required filings for the board's approval, including the new growth reports, sales reports and related documents. While each clerk has assigned duties, the staff is cross-trained on the various tasks in the office.

Commitment information is transferred to the Access financial system for collection purposes. The real and personal property commitment information is installed in the Access financial system and a tape of the billable amounts is generated and forwarded to the bill-printing vendor. The vendor prints and mails the bills. Similarly, the town sends a tape to the Registry of Motor Vehicles' to get the excise billing data. Once installed in the Access financial system, the assessing staff reviews it for errors, wrong addresses and exempt vehicles. The staff prepares the motor vehicle commitment for the collector's office and town's deputy collector produces the bills and mails them for the town.

As abatements and exemptions are granted, a letter and certificate is prepared for the taxpayer. The information is entered into the Access financial system and applied to the taxpayer's account and a copy of the letter is forwarded to the collector's office. A monthly listing report of abatements and exemptions granted is sent to the comptroller's office.

Annually, the director of assessing requests \$250,000 in overlay funds to provide for exemptions and abatements and he provides a preliminary new growth estimate for the budget process. When the final new growth figure is certified by DOR, any additional new growth not included in

the budget proposal is added to the overlay account. Historically, these excess overlay funds are used in subsequent years to fund the town's budget.

The assessing office prepares timely state reports for DOR, including new growth, taxable parcel count and recertification of value reports. The assessing director works with the comptroller to prepare and submit a timely tax recapitulation sheet with adequate backup document.

It is our overall conclusion that the town assessing office functions well. Consequently, we have made no recommendations.

## Appendix A: Financial Advisory Committee to the Selectmen (FACTS)

In May of 2000, a group of Winchester citizens placed a proposal before the board of selectmen for a levy limit override vote to support local educational costs. In response, the selectmen appointed an eleven-member, long-range financial planning committee to study and review all town financial resources and expenditures, and from its observations to provide guidance for the town's future financial success. Specifically, the FACTS committee charge from the selectmen was stated in the form of the following questions:

- Are there new ways in which the town and schools can and should increase revenues?
- Are there ways in which the town and schools should change their operations and procedures or service delivery so as to minimize costs?
- Are there procedures in place that provide for a full accounting of all town and school expenditures, and how effective have these procedures been?
- Are there unavoidable costs, crucial to the quality of life in this residential community, which confront us now and in the coming years and make necessary some form of tax increase?

The FACTS committee has gathered and reviewed financial data and operational information, surveyed and interviewed town departments and has prepared a report to the selectmen. The report is comprehensive in the presentation and analysis of past financial trends and current town circumstances. Its recommendations appear to be thoughtful and responsive to the committee's charge. Overall, we believe the report to be a valuable document for the town and for those who administer its government. In the meantime, we would offer the following general recommendations.

Rather than presenting equally weighted recommendations in its report, we encourage the FACTS committee to prioritize its recommendations on the basis of a selected criteria, i.e., assigned importance, estimated cost, implementation timeline, etc.

We suggest that FACTS committee recommendations be measured against state laws, local by-laws and charter provisions to identify possible conflicts relative to the financial management process, the legal use of funds, the duties of and relationships between and among town officers, boards and committees.

We recommend that the FACTS committee more closely examine how existing town government infrastructure can be used to achieve report goals and what alternatives, short of reorganizing government or adding new layers of bureaucracy, are available to implement its recommendations.

We recommend that privacy and security issues be considered before granting departments full access to all town data through computer technology, or otherwise.

We recommend the FACTS committee consider and propose an implementation mechanism for its report, i.e., answering the question "Where do we go from here?"

**Appendix B: Real Property Credit Balances**

<u>Fiscal year</u>	<u>Amount</u>	<u>Fiscal year</u>	<u>Amount</u>
FY1976	2,079	FY1989	16,212
FY1977	1,707	FY1990	21,800
FY1978	2,431	FY1991	41,603
FY1979	1,442	FY1992	22,856
FY1980	2,328	FY1993	28,857
FY1981	1,389	FY1994	31,342
FY1982	1,361	FY1995	46,120
FY1983	4,830	FY1996	28,927
FY1984	4,980	FY1997	29,249
FY1985	37,780	FY1998	35,236
FY1986	43,619	FY1999	53,654
FY1987	41,560	FY2000	48,050
FY1988	29,207	<u>FY2001 (prepaid)</u>	<u>23,855</u>
		Total (6/30/00)	602,474

Source: Comptroller's office

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## ACKNOWLEDGEMENTS

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The Department of Revenue, Division of Local Services, prepared this report.

Joseph J. Chessey, Deputy Commissioner

Gerard D. Perry, Associate Deputy Commissioner

Project staff included:

Frederick E. Kingsley, Bureau Chief  
Municipal Data Management and  
Technical Assistance Bureau (MDM/TAB)

Melinda J. Ordway, Sr. Program Manager  
Technical Assistance, MDM/TAB

Joseph Markarian, Jr., Program Manager  
Technical Assistance, MDM/TAB

In preparing this review, DLS interviewed the following officials and individuals:

Brian Sullivan, Town Manager  
Mark Twogood, Assistant Town Manager  
Elizabeth Cregger, Selectman  
Karl Fryzel, Selectman  
James Johnson III, Selectmen  
Priscilla McPhee, Selectman  
Charles Nurnberger, Selectmen  
Drew Bottaro, Finance Committee  
Richard Kazanjian, Capital Planning Committee  
Carol Thomas, Collector/Treasurer  
Lillian Kawa, Assistant Collector/Treasurer  
Cathy Davis, Collector/Treasurer Clerk  
Becky Deroche, Collector/Treasurer Clerk  
Joseph Bonner, Comptroller  
Steve Channel, Assistant Comptroller  
Tammy Boyjian, Payroll/Benefits Coordinator  
Jean Marrone, Accounts Payable Supervisor  
Robin Bouyer, MIS Director  
Gail Rotman, Retirement Board Administrator  
Daniel McGurl, Director of Assessing  
Alice Alford, Assessing Clerk  
Marylyn Harrington, Assessing Clerk  
Carol Eaton, School Superintendent  
Ann Yurek, School Business Manager  
Carolyn Ward, Town Clerk  
Joanne Whittemore, KPMG, Auditor