



Town of Freetown

Financial Management Review

Division of Local Services / Technical Assistance Section

January 2008

Introduction

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

We based our findings and recommendations on site visits by a technical assistance team consisting of staff from the DLS Municipal Data Management & Technical Assistance Bureau (MDM/TAB), Bureau of Local Assessment (BLA), and Bureau of Accounts (BOA). During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, treasurer, tax collector, accountant senior clerk and the assistant assessor as well as other local officials and department staff members, as available.

DLS staff examined such documents as the Tax Recapitulation Sheet, Schedule A, town meeting warrants, annual municipal budgets and guidelines, statements of indebtedness, vendor and payroll warrants, trial balance reports, and sample department turnover reports. Other documents reviewed included the town bylaws and policies, the outside audit report and management letter for FY04 completed by Cicoria & Company, and the outside audit reports and management letters for FY05 and FY06 completed by Claude Boudwin LLC.

In reviewing the town's financial management practices, we focused on:

1. Town government structure in the context of the duties and responsibilities of financial officers;
2. The degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function;
3. The town's budget, warrant and capital planning processes; and,
4. The general efficiency of financial operations as measured by the town's success in maximizing resources and minimizing costs.

We encourage the members of the board of selectmen, and others, when formulating overall strategies for improving Freetown's financial management, to consider the observations, analysis, and recommendations contained within this report. These are recommendations only, which can be implemented, provided there is sufficient cooperation and political will among the various town boards, committees, and officials.

Overview

The Town of Freetown, with an estimated population of 8,963, is located in Bristol County in southeastern Massachusetts. Encompassing about 38 square miles, Freetown is principally divided into two villages (Assonet and East Freetown) that have historically developed independent of one another. The town is situated approximately 42 miles south of Boston and 27 miles east of Providence, Rhode Island, and is bordered by the towns of Berkley, Lakeville, Rochester, Acushnet, New Bedford, Dartmouth, Fall River and Somerset.

Town meeting and a three-member board of selectmen currently govern Freetown. The board sets policy and oversees departments, while the management of day-to-day operations falls to department heads. Scheduled to begin sometime after the New Year, Freetown's first town administrator will assume general management oversight from the board of selectmen. The town administrator will coordinate operations and planning for the town, supervise and direct officers and employees, as well as prepare the town's budget.

Primarily a residential community, 78.1 percent of tax revenue in Freetown was derived from residential property in FY07 and only about 21.9 percent was from commercial, industrial, and personal property. The total assessed value was \$1.4 billion, an increase of 18.8 percent from the prior year, and 50 percent since FY04. This rise is attributed primarily to the FY07 revaluation, which adjusts property values to reflect market values, and several significant commercial and industrial developments that include the construction of a 1.3 million square foot Stop & Shop refrigerated distribution center.

As a source of revenue, the property tax represents about 62 percent of the operating budget in FY07. State aid totaled 15.9 percent and local receipts equaled 14.6 percent, while free cash and other available funds comprised about 8 percent. Since FY04, the town's total budget has grown about 29 percent.

As a relative indicator of a community's wealth, Freetown's income per capita was \$24,237 based on 2000 census data, which was 105 percent of the Bristol County average, and 93.4 percent of the statewide average. The 2006 equalized property valuation (EQV) per capita was \$148,113, or 108.8 percent of the \$136,192 Bristol County average and 96.1 percent of the \$153,979 state average. These measures are significant because they are major factors in state local aid distribution.

Initiated in May and continued in June, town meeting appropriated an operating budget of just over \$20 million for FY08, of which local and regional schools accounted for 58.3 percent, while municipal side expenditures equaled 41.7 percent. Debt service amounted to 3.5 percent of the total budget and the town is obligated to pay an additional \$200,000, or about 1 percent of the general fund budget, to satisfy a court judgment.

Freetown's fiscal position is strained. Although officials were able to balance the FY08 budget through the use of reserves, a preliminary estimate by the chair of the board of selectmen points to a budget deficit in excess of \$1 million in FY09. Adding to this pressure, the town has a certified free cash balance of negative \$122,517 as of July 1, 2007, largely due to an overestimate

of revenues in FY07. Its stabilization fund was in excess of \$451,936 as of June 30, 2007, but is currently only \$72,688. Over the past five fiscal years, the stabilization fund and free cash have been principally used to augment the cost of health insurance and education. The town finance committee maintains a \$50,000 reserve fund, but these funds are restricted to “extraordinary or unforeseen” expenditures.

Fiscal Year 2008 has been a turbulent time for Freetown. In August, the town’s long-time accountant departed and the subsequent search for a replacement is still on-going. As an interim solution, the board of selectmen made the decision to elevate the department’s senior clerk to acting town accountant until a suitable replacement is found. The audit firm, Thevenin, Lynch, Bienvenue, LLP, has now been contracted to support the department.

In December, a special town meeting was needed to address a budget shortfall of approximately \$530,000 so a tax rate could be set and tax bills could be mailed by the end of the month. On the positive side, the town administrator search committee concluded its work with a recommendation. As a result, the Freetown’s first town administrator should take office sometime in January 2008.

In the absence of a full-time town administrator, selectmen have devoted significant time and attention to the daily affairs of government including the budget process and setting the general direction of government. However, local officials have been slow to initiate a formal budget process for FY09, raising concerns that time is lacking for thorough financial analysis and sound policy-making. Consequently, establishing goals and objectives for the new town administrator and clearly defining expectations, particularly relative to the FY09 budget, should be an early task for selectmen.

Beyond the need to define such goals, Freetown would benefit from financial policies and other planning efforts to help move operations forward. The adoption of policies to guide decisions related to the use of reserves and free cash, as well as the issuance of debt are typical in well run communities. Long-range planning would also help. Greater utilization of a long-term financial forecast or development of a five-year capital improvement plan can assist decision-makers evaluate the impact of various government actions in the future.

Conclusion – Although positive work is underway to improve financial operations, fiscal pressures will not subside anytime soon. Efforts to remedy the structural budget deficit come entering a period of a projected declines in local receipts, rising costs for health and retirement benefits, and other escalating expenses associated with providing services. Given the limited reserve balances and a projected FY09 budget shortfall, Freetown officials can help themselves fiscal sustainability through the development and implementation of realistic policies and long-term plans.

With a new town administrator and a capable and committed staff, the town is now better positioned to address the recommendations outlined within this report. This report provides tools and a framework that can assist in moving Freetown’s government forward.

Table of Recommendations

Overall Financial Management	Page 4
1. Adopt a Budget Process By-Law	5
2. Define Town Administrator Goals & Objectives	5
3. Move to Bi-Weekly Selectmen Meetings	6
4. Hold Financial Management Team Meetings	6
5. Adopt Financial Policies	7
6. Form a Capital Improvement Planning Committee	8
7. Appoint Treasurer and Collector	8
8. Manage Health Insurance Costs	9
9. Formalize Compensatory Time Policy	10
10. Establish Town Hall Hours of Operation	10
11. Develop Procedure Manuals	10
12. Appoint Audit Committee	11
13. Secure Department Mailboxes	11
14. Mark Outstanding Parking Violations	11
15. Convert to Biweekly Payroll	12
16. Draft and Distribute Procurement Procedures	12
17. Streamline Selectmen Packages	13
Information Technology	Page 14
18. Build a Technology Plan	15
Water Department	Page 16
19. Conduct Water Use Audit	17
20. Report Financial Activities in Enterprise Fund	17
21. Separate Commitment from Collections	18
Accountant	Page 19
22. Set Priorities for Accounting Office	20
23. Consolidate Utility Invoices	20
Assessors	Page 21
24. Consider Altering Approach to TIFs	22
25. Evaluate Consultant Services and Office Capability	22
Tax Collector	Page 23
26. Reconcile Receivables on a Monthly Basis	24
27. Expand Bill Payment Options for Residents	24
28. Deposit to Treasurer Account	25
Treasurer	Page 26
29. Create a Timesheet Cover Page	27
30. Reduce Abandoned Property Account Balance	27
31. Segregate Personnel Files	28
32. Assign Assistant Treasurer	28
Acknowledgements	Page 29

Overall Financial Management

A review of Freetown's overall financial management practices centers on the fiscal policies and procedures in place that typically involve finance related departments, but impact town government as a whole. Accordingly, we examined the budget process, financial forecasting, capital planning, and the payroll and vendor warrant process. We looked at financial monitoring, as well as the town's organizational structure and its impact on the operation of government. We also reviewed the condition of technology, and whether the IT infrastructure promotes operational efficiencies. Lastly, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and timetables for the submission of periodic reports to the Massachusetts Department of Revenue (DOR).

In Freetown, a three-member board of selectmen oversees town operations, while day-to-day financial management responsibilities fall to a mix of full-time and part-time department managers. Beginning sometime in January, a newly appointed town administrator will assume the overall management of town offices and will, among wide-ranging responsibilities, coordinate budget development and a five-year capital plan.

The town treasurer and collector are elected, while the board of selectmen appoints the accountant. The assessing office is accountable to an elected board of assessors, which appoints a full-time assistant assessor to manage every day office functions.

Checks and balances appear to be in place and the finance related offices of the treasurer, collector, accountant, and assessor, comply with finance-related state laws and regulations. Although departments carry out routine procedures and execute tasks required by statute, the departure of the town accountant in September created a void. It also left the interim town accountant with the difficult task of attempting to fulfill all office responsibilities while the town advertised to fill the accountant position. Into December, the position remained vacant, but the selectmen realized the need for additional office support, and contracted for outside professional assistance.

Otherwise, managers and staff in the offices of the town treasurer, tax collector, and town accountant complete necessary requirements in the collection and deposit of receipts and in producing vendor and payroll warrants. Furthermore, the assessors deliver the commitments of taxes to the collector, and in general, a timely exchange of information between offices takes place.

The budget process in Freetown is a joint effort between the board of selectmen and finance committee. Scheduled to begin sometime in January, the FY09 budget process will kick-off with the distribution of budget packages requesting submission of annual budgets from departments. The departmental guidelines are based on revenue projections for the upcoming fiscal year, but not for any extended period. In the past, packages included a summary spreadsheet from the town accountant identifying actual expenditures from the previous three fiscal years, a budget request form to be completed by each department manager, and a budget process timetable.

Department requests are consolidated by the chair of the board of selectmen into an omnibus town budget that is forwarded to the board of selectmen for review. The board holds hearings with department managers, evaluates requests, and then sends its recommended budget to the finance committee, which meets with department managers and conducts an independent analysis. A meeting is then held between the board of selectmen and finance committee to reach consensus prior to a joint presentation at town meeting. Under town bylaws, the finance committee presents the annual budget to town meeting. The departure of the town accountant and the hiring of the town administrator have delayed the start of the budget process for FY09.

In recent years, to fund the budget, the town has depleted its reserves. The stabilization fund has a current balance of \$72,688, while free cash, certified as of June 30, 2007, is negative \$122,517. The finance committee does maintain a reserve fund for unanticipated expenses under [M.G.L. c. 40, §6](#) which has a current balance of \$50,000.

Conclusion - The day-to-day financial operations function well under a mix of capable full and part-time, as well as elected and appointed managers and staff. With the arrival of a new town administrator, the town should expect greater communication and collaboration between and among departments. Although we make no specific recommendation to this effect, his immediate attention should be directed to the FY09 budget process. Equally important, however, is the need for the selectmen and town administrator to set the parameters of their relationship.

At the same time, there are opportunities for improvement in the higher-level management of town finances. We address these issues with recommendations relative to revenue projections, capital improvement planning, financial policies, and long-term financial forecasts. We also recommend other steps to correct deficiencies and tighten operations.

Recommendation 1: Adopt a Budget Process By-Law

We recommend that the town outline a beginning-to-end budget process and adopt it as a by-law. The town budget process, as it was verbally explained to us in different interviews and as it is alluded to in town by-laws, gives rise to confusion. The budget responsibilities of the new town administrator in section 3.3E and of the finance committee in section 4.2 appear to overlap. For the immediate budget process, we recommend that the selectmen, finance committee and new town administrator come to agreement on a schedule as permitted by section 3.3E (c).

To create future continuity in the budget process, we recommend that the town adopt a bylaw that establishes general milestones for the completion of the budget process, and more clearly delineates the roles of the town administrator, selectmen and finance committee. At the same time, amendments should be offered to other by-laws to remove conflicts in respective responsibilities of the selectmen, finance committee and town administrator.

Recommendation 2: Define Town Administrator Goals & Objectives

We recommend the selectmen and town administrator define their working relationship early in order to establish clear expectations and priorities. The responsibilities of the new town

administrator are wide ranging as enumerated in the town by-law. However, in addition to carrying out these duties, it should be expected that he will routinely receive selectmen requests for information, decisions or actions, and will often times be expected to provide updates at regular weekly board meetings. In managing the every day business of government, the town administrator will have other responsibilities relating, among other things, to the budget, personnel issues, long-term projects, etc. All of this will occur in an adjustment period when relationships begin to take shape.

With this in mind, we recommend that the selectmen and town administrator come to an early understanding on long and short-term priorities and expectations. They should communicate on goals and objectives not only for the town, but also for each board meeting. A system should be implemented to identify urgent matters that warrant an immediate response and lower priority projects, which require less frequent reports.

Annual performance reviews can serve a primary role in establishing expectations. In the meantime, the town administrator can help the process by noting how he allocates his time. For their part, selectmen can monitor and objectively scrutinize the demands they individually and collectively place on him. In this way, both can come to agreement on how the town administrator's time can be best spent to advance town goals and address selectmen's needs.

Recommendation 3: Move to Bi-Weekly Selectmen Meetings

We recommend that the selectmen consider moving to bi-weekly meetings. With a town administrator in town hall every day, there is less reason for selectmen to meet on a weekly basis. In fact, we have seen where weekly meetings actually obstruct productivity. This happens when the town administrator spends the days immediately after a meeting following through on selectmen requests and then devoting time just prior to the next meeting assembling a selectmen's information package. When meetings are seven days apart, little time is available to accomplish other goals.

Recommendation 4: Hold Financial Management Team Meetings

We recommend that the town administrator form a financial management team. We encourage the new town administrator to meet regularly with a financial management team that would include the accountant, treasurer, collector, and assistant assessor together with someone from the school business office. Financial management team meetings can serve as a forum to coordinate financial functions and discuss progress on finance-related deadlines. The team can identify critical junctures and offer strategies to deal with anticipated areas of concern. This will include proposals on debt limits, reserve fund levels, revenue and expenditure estimates, and annual budget guidelines. Meetings can also enhance lines of communication, and provide a forum to raise and resolve interdepartmental issues. All involved receive the same message or new information at the same time. With the creation of a financial management team role, cooperation will naturally increase, and morale in town hall can be more easily sustained at a high level.

Recommendation 5: Adopt Financial Policies

We recommend that the town adopt policies that guide decisions related to reserves, debt, and local receipts. Because of revenue constraints and ever-increasing expenses in recent years, officials have depleted reserves to fill budget gaps. Unclear at this point is if the town will continue to spend-down the remaining reserve amounts to bridge the FY09 budget. Although we understand that current fiscal circumstances make it difficult to build a sizable reserve balance, we advise the adoption of policies that will serve to direct and restrict the use of reserves.

We recently received a copy of a “Town of Freetown FY09 Preliminary Budget and Financing Plan” which appears to be drawn from another town in its entirety. While we always encourage local officials to seek guidance from other towns, it is equally important that they complete an independent process to determine what policies would work best given their town’s fiscal circumstances. Such a reserve policy would typically address the following:

- Establish target balances for the stabilization fund, annual free cash, and other reserves in a total dollar amount or as a percentage of the total annual budget. The town should commit to raise and maintain a cumulative reserve balance in the range of three-to-five percent of the operating budget;
- Direct the use of all or a portion of free cash as a funding source for stabilization, or as an outlay for one-time capital projects;
- If free cash must be used for operations, restrict its use as a general revenue source for the ensuing year's budget and to a maximum percentage of total free cash available. Retain the same percentage as unexpended to serve as a beginning point in the subsequent year’s free cash calculation. Do not use stabilization funds to finance operations;
- Restrict the use of unexpected, non-recurring revenue, or surplus revenue, to one-time costs, or appropriate it to stabilization; and,
- Restrict the use of the stabilization fund to non-recurring expenditures and only in an amount above a certain dollar threshold.

In addition, we recommend that the town adopt a formal policy to guide decisions on debt issuance. A debt policy takes on greater relevance with the development of a capital improvement program. A typical policy controls the amount of debt issued, often times by tying debt service levels to a percentage of total general fund revenues. A policy may specify what spending purposes would qualify for bonding, for a direct dollar outlay, or for a capital exclusion. The policy should also direct an annual review of previously authorized or issued debt, with the purpose of redirecting any remaining capacity where projects are completed, abandoned, or have

yet to begin after a certain period has passed since authorization. Principally, town officials should develop a policy that:

- Set limits on the debt service as a percent of general fund operating budget;
- Specifies purposes for which long and short-term borrowing will be permitted, notwithstanding state law; and,
- Set parameters for amortization of long-term debt (i.e., how long to borrow money above or below a certain amount).

Once a debt policy is established, the town can use the guidelines and thresholds to develop their capital improvement plan and more accurately predict funding sources. A formal debt policy might also assure residents that there is appropriate planning when issuing debt.

Recommendation 6: Form a Capital Improvement Planning Committee

We recommend that the town officials commit to a capital improvement planning committee. Among the responsibilities of the town administrator, he must annually submit to the selectmen a five-year capital improvement plan. We suggest the formation of a capital improvement planning committee to assist him. A typical committee might comprise five members who are a mix of town officials and residents with relevant knowledge and/or background. The committee can help the town administrator fulfill by-law requirements as well as some or all of the goals listed below:

1. Determine the status of previously approved capital projects;
2. Prepare an inventory of existing town capital assets;
3. Assess the town's fiscal capacity (available reserves, borrowing limits);
4. Solicit, compile, and evaluate project requests;
5. Prioritize projects within a list; and,
6. Monitor approved projects.

Recommendation 7: Appoint Treasurer and Collector

We recommend that the town convert the treasurer and collector to appointed positions. A clear trend has emerged among Massachusetts' communities in favor of appointed positions. Most act under a prevailing theory of government practice that policy makers should be elected, while operational positions, where a certain skill set is required, such as the treasurer, collector, accountant, assistant assessor, etc., should be appointed. When positions are appointed, the town can attract a significantly wider pool of qualified candidates. Then, through a background check and an extensive interview process, the town can increase the likelihood that a person with the

strongest credentials and/or most relevant professional experience is hired. On the other hand, an election, even to an open seat, may not attract a person who will serve the town best.

Under the provisions of [M.G.L. c. 41, §1B](#), the treasurer and collector can be made appointed positions by majority vote of town meeting and subsequent acceptance by the voters at a town election.

This recommendation is not a reflection on the performance of the current treasurer or collector. Capable and committed people now occupy these positions, and although cooperation exists among finance officers in town hall today, looking long term this may not always be the case. Therefore, at an opportune time in the future, the town should also consider the option to combine the offices of treasurer and collector. Because of the parallels in the responsibilities of each of these offices, many communities find that combining the functions in one person can create efficiencies and generate long-term cost savings.

Recommendation 8: Manage Health Insurance Costs

We recommend that town officials explore measures to reduce health insurance costs.

Freetown's fiscal stress is, in part, due to the dramatic increase in employee health insurance costs over previous years. Based on town expenditures reported to DLS, Freetown experienced an 89.29 percent increase in health insurance costs between FY01 and FY06 as reported on its Schedule A, or an average percent increase of 13.74 per year. This translates to a rise in the town's total cost for health insurance from \$771,983 in FY01 to \$1,461,254 in FY06.

While health insurance costs will most likely continue to rise, available steps can be taken to help mitigate the increase. To begin, the town should shift the costs of retiree health insurance to the Federal Medicare Program by accepting the local option statute [M.G.L. c. 32B, §18](#). The provisions of the statute require eligible retirees to enroll in Medicare at age 65. The town is then only responsible for the cost to bridge the coverage gap between Medicare and the town's existing plans. While not subject to collective bargaining with current retirees, there may be a requirement to collectively bargain with current employees to the extent that it affects their retirement benefits.

Town officials should also evaluate whether it is cost effective to enroll in the Commonwealth's Group Insurance Commission (GIC). As part of the Municipal Partnership Act [Chapter 67 of the Acts of 2007](#), cities and towns are permitted to join the state's group insurance program. Benefits include participation in a risk pool of about 286,000 subscribers that allows for significant purchasing power in the health care market, and GIC dictates plan design without collective bargaining to drive cost savings. As a result, GIC rate increases have been significantly lower and less volatile than the rate increases experienced in Freetown. From FY01 through FY06, GIC costs have increase 47.95 percent or 8.28 percent annually, on average.

Although the option to join GIC in FY09 closed October 2007, officials can negotiate the conditions for acceptance and submit a written agreement prior to October 1, 2008 for enrollment beginning in FY10. Additional information regarding participation in GIC is available on the [Commonwealth's GIC website](#).

Recommendation 9: Formalize Compensatory Time Policy

We recommend that the town institute a compensatory time (comp-time) policy for applicable personnel. It is our understanding that when employees work beyond their regularly scheduled hours they are eligible for comp-time, which is tracked and managed by each department head. It is unclear to us how, or if, approval is granted.

Town officials should promulgate a policy establishing town-wide standards by which employees earn comp-time. Since comp-time can be a potential liability for the town in the long-term, prior approval of a supervisor, or supervising board member, should be required. In this way, department heads would be responsible to verify comp-time eligibility for employees under their purview, and should track time earned. However, comp-time should be separately reported and tracked by the accountant. This can most simply be accomplished through the payroll process by modifying the current time sheets to record the comp-time amount earned per employee during a given pay period the same way sick leave and vacation time is tracked.

Recommendation 10: Establish Town Hall Hours of Operation

We recommend that the town adopt a bylaw establishing town hall standard hours of operation for departments. Although hours of operation for each department are posted, it is our understanding that offices may not always operate according to the schedule. It is particularly important that town hall maintain consistent hours as variations can confuse and frustrate residents. Town hall should be open during designated times throughout the week, and each department should adhere to that schedule. Therefore, to hold all departments to the same standard and to serve the public better, we recommend that town meeting act to set town hall work hours for all offices.

Under [M.G.L. c. 40, §21A](#), a town may, through by-law, set the work hours for all non-school, non-union employees and those employees under collective bargaining agreements which do not speak to employee hours. If a union contract addresses employee hours, it would supercede the by-law unless and until changed through negotiations. Such a by-law would also set the hours of elected and appointed managers and officials.

Recommendation 11: Develop Procedure Manuals

We recommend that departments develop procedural manuals for all routine tasks. A procedural 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.

Recommendation 12: Appoint Audit Committee

We recommend that the board of selectmen create and appoint an audit committee. Freetown is among the vast majority of municipalities that are required to complete an independent audit of its annual financial statements. A management letter usually accompanies an audit and raises issues, makes comments, and identifies deficiencies, if any, in the town's practices. A town response is normally expected, but in FY04, FY05 and FY06 none were provided by Freetown officials before audits were published. To address this and other issues, we recommend the formation of an audit committee.

Audit committee members, independent of staff, would be charged with reviewing management letters and monitoring the town's progress in formulating and completing a corrective action plan, including town responses to issues raised. Once or twice each year, the committee would report its findings to the board of selectmen and town administrator. Responsibility to formulate responses and an action plan would fall to the new town administrator, with input from finance officers. The town administrator would also be responsible for implementation.

An audit committee should also be involved in the procurement of auditing services, determining in advance the requirements and objectives of the audit, and selecting the eventual individual auditor or audit firm. The selection of an auditor is not subject to the provisions of the [Uniform Procurement Act, M.G.L. c. 30B, §15](#). However, as a rule, we suggest the town issue a request for auditing services every third, and no more than every sixth year.

An audit committee of three to five members might include selectmen, school committee members, finance committee members, as well as residents. Given the substance of an audit report, the town would not want finance officers, or staff in finance-related positions, serving as members in order to avoid potential conflicts of interest.

As an additional resource, see [A Local Official's Guide to Procuring and Administering Audit Services](#).

Recommendation 13: Secure Department Mailboxes

We recommend that the town secure department mailboxes. Best described as cubbyholes for each office, department mailboxes are currently located on a wall in the public entryway of town hall. Open to the public, the existing setup is not secure and may be prone to tampering. We advise officials to move the current setup into a secure office environment outside of public access. On the other hand, if located in the entryway, officials may want to consider purchasing a system in which mailboxes can be locked separately so access is only permitted to appropriate individuals.

Recommendation 14: Mark Outstanding Parking Violations

We recommend that the board of selectmen provide the administrative assistant with online access to the Registry of Motor Vehicles to notify the agency of delinquent payments of parking violations. As the appointed parking clerk, the administrative assistant to the board of selectmen is

responsible for processing and tracking all parking violations, which amounts to about 80 plus tickets per year. In an effort to encourage payment of outstanding parking tickets, the administrative assistant should be granted online access to the Registry of Motor Vehicles (RMV).

With local acceptance of [M.G.L. 90, §20A½](#), and notification from the municipality of failure to pay two or more parking tickets; the RMV will mark violators licenses and registrations for non-renewal. Only with subsequent notification from the parking clerk that full payment has been received, will the lien be removed by the RMV.

Recommendation 15: Convert to Biweekly Payroll

We recommend that Freetown covert all town employees from a weekly to bi-weekly payroll schedule. A growing number of employers in both the public and private sectors compensate employees on a bi-weekly basis. Designed to streamline workloads and trim costs. A bi-weekly payroll schedule reduces staff time normally dedicate to compiling hour/rate information and entering data into the Harpers Payroll Service software, which enables staff to perform other tasks. Furthermore, it cuts the number of payroll runs per year to 26, resulting in an annual cost saving because of the reduction in paperwork, number of checks printed, and processing fees. Lastly, it simplifies processing, as employees are paid after the end of a pay period, meaning the treasurer has time to adjust paychecks to reflect actual time worked. Moving employees to a bi-weekly payroll period will require collective bargaining.

Recommendation 16: Draft and Distribute Procurement Procedures

We recommend that the new town administrator work with the accountant to formulate and distribute procedures to comply with state procurement rules. In Freetown, department heads have responsibility to follow state procurement laws correctly. To ensure adherence to rules, the town needs a procurement policy that instructs all departments on the provisions of [M.G.L. c. 30B](#). It would establish when department managers, in making purchases of goods or services, are allowed to follow good business practices, are required to secure three quotes, or must request sealed bids, or issue a request for proposals, as shown on the chart below.

<u>Steps to take</u>	<u>if a purchase is:</u>
Use of good business practices	under \$5,000
Solicitation of three quotes (written or verbal)	\$5,000-to-\$24,999
Competitive sealed bids or request for proposals	\$25,000 or more

Typically, as chief procurement officer, the town administrator would oversee implementation of policies. However, as a practical matter, the accountant would be the first to know whether laws are followed when he or she receives a departmental request that an invoice be paid. Department managers should be notified that if procurement rules are not followed, invoices will not be paid.

Recommendation 17: Streamline Selectmen Packages

We recommend that the administrative assistant seek ways to streamline the process of assembling information packages for the selectmen. It is our understanding that the administrative assistant to the selectmen devotes 4-to-5 hours each week to the preparation of information packages in advance of meetings. Depending on interruptions, the amount of time is sometimes higher. Because the package includes a table of contents, the addition of new information or other changes, requires an adjustment.

We recommend that the selectmen allow the administrative assistant to take greater advantage of available technology. With the use of a scanner, information in hard copy can be converted to an electronic format and provided to selectmen as an email attachment. If the information is built into a word document, a table of contents can be created which automatically updates with any additions or deletions. Information can also be made available throughout the week rather than all at once.

Information Technology

While information technology (IT) is a vital component of contemporary municipal government, the management of day-to-day IT operations varies widely in municipalities across Massachusetts. Larger communities tend to have a technology department managed by a professional administrator with support from a technology committee and consultants, while smaller towns utilize in-house knowledge and often depend on outside consultants. Regardless of the structure, a municipality must ensure that town server(s) are running properly and that critical town data is backed-up on a routine schedule. An IT operation must further maintain a secure infrastructure that protects sensitive data and prohibits intruders. It must maintain and monitor system performance so users can connect; and investigate, purchase, and install new software and/or upgrades to existing applications. Additional responsibilities commonly include providing assistance to network users with general IT-related issues or problems; acting as a liaison between software vendors and town officials; supporting the town's website; and, coordinating the development of town-wide technology related policies and procedures.

As a smaller town, Freetown does not employ a professional IT administrator. Instead, technology functions under the general oversight of the chair of the board of selectmen. Prior to the chair's supervision, the former town accountant served as point person on IT related issues. The board of selectmen recently tried to form a technology committee, but the idea was quickly abandoned, as there was little volunteer interest. Because of the current structure, department personnel rely heavily on their own knowledge, or the expertise of others from within town hall, to address support issues.

Due to a lack of planning, IT related resources vary significantly between and among departments. The age of the hardware inventory, i.e. computers, printers, phones systems, and fax machines, differs among departments and some assets are outdated. In some instances, software utilized by offices tends to need updating and may no longer be supported by vendors. Offices of the accountant, treasurer, collector, and assessor, utilize a variety of software packages including New Vision by Affiliated Computer Systems (ACS), Microsoft Quickbooks, Harpers, PSK, as well as several custom-programmed applications, such as Fisher Systems.

Town officials have adopted computer policies related to email and internet use, but a universal back-up policy for town hall has yet to be adopted. Department managers use a variety of methods to save data including tapes, thumb drives, and CD-Rs. Email accounts are lacking for department employees, but the chair of the board of selectmen expects they will soon be active. Federal approval by the U.S. General Services Administration is pending to register Freetown's new domain name: www.freetownma.gov.

Conclusion – Freetown should address its need for comprehensive IT services. The current state of technology throughout town hall does not necessarily support effective government operation. Although IT costs are relatively high, the long-term savings and efficiencies gained will outweigh the initial expense. Our single recommendation is comprehensive, and is targeted at building an IT operation that will meet the technology requirements for today's municipal

administration. Above all, however, we would recommend that the town take all necessary steps to protect data through controlled back-ups and disaster recovery program.

Recommendation 18: Build a Technology Plan

We recommend that the town administrator, with participation from department managers, develop and adopt a three-year technology plan. Regardless of the size of a community, decisions relative to technology become more challenging when an effective plan of action is not in place. It is difficult for selectmen, the town administrator, and department managers to allocate resources to technology when there is no consensus on current or future needs. However, we also understand that it can be cost prohibitive to have a centralized technology department with a professional administrator. As an alternative, communities have found success in the development of a formal, coordinated technology plan that relies on staff involvement.

As a starting point, the selectmen should appoint an ad hoc technology committee chaired by the town administrator and comprised of department managers who represent end-users. The initial task of the committee would be to evaluate the town's current technology status, the performance of hardware and software, and the proficiency of staff in order to plan for future needs. The components of an effective technology program will also typically include:

- The design and implementation of security, back-up, and disaster recovery procedures;
- An inventory and assessment of hardware and software;
- An evaluation of troubleshooting capabilities;
- The development of a replacement and upgrade schedule;
- A long-term financing plan;
- An analysis of system capacity to handle current and future demands;
- The identification of those responsible for ongoing maintenance;
- The development of IT policies and procedures;
- An assessment of staff training and department software needs;
- A single technology budget line item to consolidate purchasing decisions;
- An inventory and assessment of peripheral technology (e.g. copiers, printers, etc); and,
- An assessment of the town's telephone and voice mail system.

Water Department

A water department is typically responsible for the ongoing maintenance and operation of a town's water supply and distribution system to area homes and businesses. It is guided by a water commission, which generally involves itself in regulating the use of water, fixing rates and fees, as well as directing the continued upkeep and expansion of the water system. Water departments further ensure that drinking water is of high quality, available on demand and that water supply and distribution is continually accounted for. Lastly, water departments are entrusted to operate in the most cost effective manner that promotes and encourages water conservation.

In Freetown, a three-member elected water commission oversees the water department, while a full-time senior clerk manages all day-to-day activities of the office. The senior clerk has served in the position for two years. Current commission members are new, with two members elected in March 2007, and a third appointed in April by the board of selectmen due to the resignation of a previous member. Commissioners currently meet every Monday evening, but will soon transition to bi-weekly meetings, eventually moving to monthly meetings. Commissioners generally divide their responsibilities by area of knowledge and expertise.

The work of the Freetown water department involves managing the supply and distribution of water to 562 accounts. About 20,000 centi-cubic units (CCU) per year are purchased from the City of New Bedford for distribution to 369 accounts in the Assonet region of Freetown, while about 60,000 CCU are purchased from the City of Fall River for distribution to 191 accounts within the East Freetown region. The City of New Bedford bills the town for supplied water on a monthly basis, while the City of Fall River bills quarterly.

Water meters are read and consumers are billed on a quarterly basis. Over a ten-day period, a part-time meter reader collects usage data from each water meter, hand writes gathered data onto a spreadsheet, and submits the spreadsheet to the senior clerk, who then keys the readings into the water software package. The water software creates the commitment and prints bills. The senior clerk is responsible for stuffing and mailing bills, as well as collecting payments.

Presently, the water department functions under a revolving fund authorized through special legislation enacted as [Chapter 638 of the Acts of 1979](#). At a special town meeting on November 20, 2006 residents voted to adopt [M.G.L. c. 44, §53F½](#) establishing a water enterprise fund. Although the enterprise fund is built into the chart of accounts, the water department still reports revenues and expenditures through the revolving fund.

For FY08, the water commission established a new water rate of \$5.00 per CCU, which represents a 69.5 percent increase over the previous \$2.95 per CCU rate. In addition, they fixed a \$0.15 per day rate for water meter rental. With the new \$5.00 per CCU rate and other fees, total water revenue should rise to about \$440,160 while the FY08 budget projects about \$445,000 in expenditures.

The water department was recently awarded a \$35,000 grant from the Massachusetts Department of Environmental Protection (DEP) which will be used to fund water meter upgrades,

leak detection, water audits, as well as promote conservation. The grant will be deposited in a separate fund account and its use will be monitored by the DEP.

Conclusion – The current commissioners are knowledgeable and have experience in the supply and distribution of water. They have initiated efforts to direct more effectively the ongoing management of the water department. The commission has also developed, for FY08, the first formal budget for the water department and taken steps to review water operations in their entirety. Our recommendations are intended to help the commission to continue to move the operation in a positive direction.

Recommendation 19: Conduct Water Use Audit

We recommend that the water commission begin a water audit to measure the loss of water within Freetown's distribution systems. Water officials have raised concerns that Freetown's distribution system may be losing upwards of 25 percent of water through undetected leaks. The net effect is that consumers are charged an elevated water usage rate to pay for water supplied by the City of Fall River and City of New Bedford, but which is lost. The current commission has taken initial steps to mitigate the problem by prompting the City of Fall River to repair and replace components of the master meter that measures supply from the city to Freetown, by assessing meter functionality, and by outlining the use of recently received grant money to upgrade customer meters and to fund leak detection.

We encourage the commission to perform a water audit. Most simply, a water audit is a method to assess the supply and distribution of water throughout town, calculate consumption, evaluate leaks, and measure system performance. Once completed, a water audit provides officials with an enhanced level of data so more informed investment decisions can be made for the ongoing maintenance and management of the water supply and distribution system.

Recommendation 20: Report Financial Activities in Enterprise Fund

We recommend that the town accountant work with the water department to begin accounting for water financial activity in the enterprise fund. Adopted November 20, 2006 at a special town meeting, an enterprise fund will enable the town to account separately for all water related revenues and expenditures, and allow the department to identify fully all direct, indirect, and capital costs associated with providing water service. Enterprise fund accounting will allow the town to demonstrate the true cost of the operation and will provide information necessary to establish more accurate water user rates. Under enterprise fund accounting, the town would retain any surplus (certified by the DOR director of accounts) in the enterprise for later use to cover operating, capital or debt service costs. The enterprise budget includes both revenue sources and expenditure estimates, and town meeting should approve the budget as a separate article.

Additional information on enterprise funds may be found in the Division of Local Services'

[Enterprise Fund Manual](#).

Recommendation 21: Separate Commitment from Collections

We recommend that the water commission separate their responsibility for creating the water commitment for bills from the function of collections. As a matter of sound financial management practice, those persons responsible for determining amounts due the town should not be responsible for collecting the payments. As a fundamental example of a check and balance rule, the assessing department creates and then transfers the real estate tax commitment to the collector to receive payment. Water billing should be treated similarly. As a recommended alternative, the water department should continue to create the commitment, but responsibility for collections should be transferred to the collector's office.

This transfer of duties will require the tax collector's position to be converted by a town meeting vote to a town collector under [M.G.L. c. 41, §38A](#). A town collector possesses the authority to receive other monies due the town beyond real and personal property taxes, excises, betterments, and certain other charges added to and committed as taxes.

Accountant

The town accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts, and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; and reconciles cash and debt with the treasurer and receivables with the collector monthly. In addition, the town accountant also tracks revenue and expenditures, and is typically involved in the annual budget process. Among required submissions to the Department of Revenue, the town accountant is responsible for producing the town's annual Schedule A and year-end balance sheet (for Free Cash certification). Finally, the town accountant works with the board of assessors and town clerk in the preparation of the town's Tax Recapitulation Sheet.

In August, the long time town accountant for Freetown resigned to accept a similar position with the Town of Middleborough. Local officials advertised the position in October, but as of this report, had not found a replacement.

Initially, as an interim solution, the selectmen made the decision to elevate the department's senior clerk to acting town accountant. She has served as senior clerk for seven years, and was primarily responsible for producing the vendor and payroll warrants for the board's approval. Her duties included entering vendor and payroll data in the accounting software, verifying timesheet data, preparing warrants, and printing town and school vendor checks.

To provide additional support, the selectmen first sought assistance from the former town treasurer. However, with his quick and unexpected resignation, the senior clerk was once again expected to carry the burden of maintaining the town's books. Underestimated, however, was magnitude of responsibilities associated with two full-time positions. At her recommendation, the selectmen recently engaged the firm of Thevenin, Lynch, Bienvenue, LLP to provide accounting assistance to the department. In the meantime, town efforts to solicit candidates to fill the full-time accountant's position continue.

Conclusion - When the accounting office was adequately staffed, allocated duties and obligations were fulfilled. With the town accountant's departure, however, the combined responsibilities proved too much for one person, and outside assistance was secured. With that additional help, we have confidence that the town's books will be brought up-to-date and that the accounting office will move toward normalcy.

Whether assigned to the firm of Thevenin, Lynch, Bienvenue, LLP or established as expectations for a new town accountant, our initial recommendation is intended to identify where immediate attention might be directed. Our other recommendation involves a potential efficiency.

Recommendation 22: Set Priorities for Accounting Office

We recommend that the selectmen reach agreement with the new accountant on office priorities. Among suggested priorities for the Freetown accounting office, are the following:

- *Bring the general ledger up-to-date:* Since the departure of the former town accountant, general ledger entries have lagged. As a result, the town's financial position is uncertain. Making the proper entries to bring the general ledger up-to-date should be a priority.
- *Bring cash and receivable reconciliations up-to-date:* Accountant reconciliations of receivables with the collector and cash with the treasurer were reportedly last completed in August 2007. Moving forward, cash and receivables reconciliations should take place on a monthly basis.
- *Identify the accountant's role in the budget process:* In communities without a town administrator, an accountant typically has a meaningful role in the town's annual budget process.
- *Distribute Revenue and Expenditure Reports:* Without these reports, the town administrator, department heads, and other town officials have no independent measure of receipts against revenue projections, or expenditures-to-date against appropriations.

Recommendation 23: Consolidate Utility Invoices

We recommend that the accountant pursue consolidated utility billing. Currently, the accountants' office receives between 20 and 25 invoices monthly for telephone and electric service, which requires an equal number of checks to be processed for payment. Moving forward, the office should contact both their telephone service provider (Verizon) and electricity supplier (NSTAR) to request a consolidated statement for the entire town. The current practice of processing utility bills is cumbersome, time consuming, and cost ineffective. By consolidating invoices into one statement per utility, the accountant will be free to perform other tasks and processing costs will be reduced, i.e. check stock, postage, paper, etc.

Assessors

The assessors' office is responsible for valuing all real and personal property in town and generating the commitment authorizing the collector to collect real estate tax and motor vehicle excise payments. Work is generally performed through a combination of staff and professional appraisal firms. A review that town assessments represent full and fair cash value occurs annually, and certification of values is conducted by the Department of Revenue every third year. In addition to these duties, the assessors calculate annual "new growth" increases in the community's levy limit; participate in setting the annual tax rate by submitting the Tax Recapitulation Sheet to DLS for approval; and prepare the annual property tax commitment for the collector. The department also handles all abatement applications, property tax exemptions allowed under state law, and sets the overlay.

In Freetown, an elected three-member board of assessors oversees the assessing department. They meet once a week in formal session and are reported to be in the office daily even though a full-time assistant assessor and a senior clerk manage department operations. The board's primary responsibilities include reviewing and approving valuations, abatement and exemptions, and signing-off on the overlay and new growth estimates. The assistant assessor manages over-the-counter requests, supervises the senior clerk, prepares for classification hearings, assists in the overlay reserve calculation, and contributes to the tax recapitulation sheet. The part-time senior clerk records deeds monthly, processes excise abatements, assists with exemption applications, logs sales, matches building permits with field cards for consultant fieldwork, and handles general public requests.

Contracted in FY07 for three years at \$120,000, the outside consultant firm of Paul S. Kapinos & Associates, Inc. will complete a wide range of services for the town. Included will be all fieldwork, such as building permit and sales inspections, data analysis, value development, new growth calculation, as well as other higher-level assessing duties. Kapinos will further make property assessed value information available to the public through their website.

The department contract also indicates that Kapinos will complete interim year adjustments for FY08 & FY09, and the next triennial recertification of values in FY10. To our knowledge, inspections completed as part of the nine-year cyclical property re-inspection program are not included. The previous cyclical re-inspection was completed in FY07. In the past, the town has separately contracted to complete a measure and list of town property in the last two or three years of the cycle.

The volume of work in the assessors' office involves valuing 3,023 residential real estate parcels, 548 vacant parcels, 68 commercial parcels, 43 industrial parcels, and 226 personal property accounts. Motor vehicle excise bills for FY07 totaled 13,006 representing about \$1,306,000, while boat excise bills for FY07 totaled 271 or \$7,460. Tax bills are mailed quarterly, while excise bills are mailed on an annual basis.

In FY07, the office issued approximately 19 residential and commercial abatements, and issued about 10 personal exemptions. Over the last three years, Freetown's amounts charged to

overlay for abatements and exemptions averaged \$147,773.66. There are currently 14 Appellate Tax Board (ATB) cases pending, 10 involving telecommunication related issues from FY03 through FY07, and four for real estate and personal properties for FY07.

Conclusion - The current office structure where the bulk of assessing responsibilities is completed by an outside consultant is not uncommon. However, moving forward we encourage an evaluation that considers the addition of in-house responsibilities.

Recommendation 24: Consider Altering Approach to TIFs

We recommend that the town consider adjustments to its process for evaluating the merits of tax increment financing (TIF). It is our understanding that a committee is typically set-up to evaluate how tax increment financing might be used to attract new businesses and jobs to Freetown. To maximize benefits to the town, when a TIF is next under consideration, we suggest that one of the town's assessors be included among the members of the committee. A TIF agreement should reflect changes in property value entering a revaluation year. Furthermore, we encourage any town to consider the purpose of the TIF, and if benefits gained are a fair match to the what is being given-up. In particular, the impact of the TIF term should be evaluated. Finally, an analysis should determine if the town is forced to absorb other direct costs, or an inordinate draw on services, associated with the type of business that will operate.

Recommendation 25: Evaluate Consultant Services and Office Capability

We recommend that town officials compare the expense of contracting out certain services versus completing them in-house. In late 2007, the assessors contracted with Paul S. Kapinos & Associates, Inc. for three years at \$120,000 to complete a broad range of appraisal services, including interim year valuations for FY08 & FY09, and the FY10 triennial certification of values. Outside services are also purchased to complete a measure and list of the town's 4,200 properties that occurs toward the end of nine-year cycles. When last completed, in FY07, the town paid \$49,000 for this service, which was in addition to \$48,000 paid for the FY07 revaluation.

We expect that over the next three years, the assessors will evaluate the services received under contracts. We recommend that, as a matter of due diligence, the evaluation process include consideration of office structure and the potential to increase in-house capacity to complete certain assessing tasks.

One option is to contract-out for all appraisal services, as is presently the case in Freetown. Alternatively, the town can raise the level of professionalism in the office. Given the relatively small number of parcels in Freetown, a day-to-day management presence might allow all appraisal services to be completed in-house. More typical, however, is a of mix appraisal and inspection functions completed by in-house staff, while other more complex work is contracted-out. Considerations include comparative cost, as well as what office structure will best serve residents as Freetown grows and valuation issues become more complicated.

Tax Collector

A tax collector's office ensures that collections are 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 tax collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the town accountant 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 10 days. In most communities, the tax collector manages the contractual agreement with the deputy collector.

A municipality's tax collector only possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. If a town accepts [M.G.L. c. 41, §38A](#), the position becomes a town collector, and then possess the authority to collect all monies due to the community.

The tax collector in Freetown is elected to a three-year term and works part-time. He has served in the position for 15 years. A full-time assistant tax collector handles the day-to-day responsibilities of the office, which include management of the window, processing mail, posting payments, preparing deposits, and researching municipal lien certificates. During periods of high volume, the office has a senior citizen under the tax-work-off program help with office duties.

Freetown bills on a quarterly basis for real estate and personal property taxes. Motor vehicle and boat excise are billed annually. In total, the office processes payments for approximately 25,000 bills each year. Of the real estate payments, about 60 percent are handled through tax services, 30 percent by mail, and 10 percent over-the-counter.

The town does not utilize a lockbox nor engage a web-based payment service to assist with collections. Payments received by the office are posted to Fisher Systems tax software. The town has utilized Fisher software since the 1980s and currently maintains real and personal property information on an i486 personal computer. Motor vehicle accounts are on a Pentium personal computer, while the receivable control is maintained in Microsoft Quickbooks. Consequently, each has its own back-up medium, either disk, tape or thumb drive.

Fisher Systems personnel convert and upload the tax commitment from the assessors to the collector, and prints bills, which are then stuffed and mailed by the town's deputy collector. Fisher also hosts the receivable control, which the tax collector reconciles with the accountant on a quarterly basis. Delinquent real estate accounts are pursued in a timely manner, moved into tax title, and transferred to the treasurer. Approximately 200 demand notices are issued annually and about 60 properties are in tax title with approximately \$306,840 in overdue property taxes. The tax collector contracts tax takings with an outside attorney. The deputy collector, PKS Associates, electronically receives the motor vehicle commitment information directly from the registry of motor vehicles, then prints, stuffs and mails excise bills. The deputy collector also pursues delinquent motor vehicle excise bills.

The tax collector deposits receipts on a weekly basis into a non-interest bearing account, and, after checks clear, turns-over receipts to the treasurer detailing the week's deposits. During heavy collection periods, deposits and turnovers are more frequent. At the end of each quarter, the collector reconciles his record of receivables with the town accountant.

Conclusion – The tax collector and assistant perform all of the statutory duties of the office. However, more than any other office, the various software applications in use in the collector's office underscores the need to move toward a financial software package that integrates functions of the collector, treasurer, and accountant. The recommendation to improve IT operations and the security of data is discussed in the Information Technology section of this report (Page 15). Otherwise, the recommendations offered here are designed to improve financial controls, collections, and web-site utilization.

Recommendation 26: Reconcile Receivables on a Monthly Basis

We recommend that the collector and the accountant reconcile receivables each month. The collector should reconcile internal records of outstanding receivables on a regular monthly basis. This is a verification process that entries in the receivables control are supported by source documents. Once completed, the collector's receivable control balances of outstanding amounts due should be reconciled externally to the accountant's general ledger balances to ensure that records of the two offices match. This is an important check and balance, as well as a fiduciary obligation. Although acceptable to complete on a quarterly basis, we suggest that reconciliations occur, internally and externally, on a monthly basis with the accountant. It is more prudent and variances are easier to identify and correct.

Recommendation 27: Expand Bill Payment Options for Residents

We recommend that the tax collector consider a lockbox bill payment service. As a one-person operation, the tax collector's office could make use of a lockbox. A lockbox service, administered by a financial institution, receives tax and/or other committed payments, deposits checks, and returns daily receipt reports to the town for a given billing period. A contract between Freetown and a lockbox company would specify the scope of provided services and the calculation of costs. Under current circumstances, Fischer Systems would have to convert the lockbox information to the tax software to post payments, but with upgraded financial software, electronic data files can be posted automatically.

To encourage taxpayers to use the service, a notice of lockbox availability would be permitted under state law as an insert in the quarterly tax bills. Announcements could also be made through local media. An actively promoted and utilized lockbox can reduce payments received at town hall either over-the-counter or by mail. It will free staff time by allowing payments to be posted automatically, which accelerates deposits, makes funds available sooner, and improves investment earnings.

We recommend that the town also adopt a web-based bill payment system. Electronic payment offers advantages to a collector's office by reducing foot traffic and mail, accelerating deposits, as well as providing a convenient and flexible service for taxpayers. Electronic billing further sends a message that the community is progressive about enhancing customer service and the use of technology. For additional information on electronic online billing, see Online Bill Payment under the "Best Practices" section of Financial Management Assistance at www.mass.gov/dls.

Recommendation 28: Deposit to Treasurer Account

We recommend that the tax collector deposit receipts more frequently and to the treasurer's bank account. Currently, tax, excise, and other payments are deposited weekly into a non-interest bearing account maintained by the collector. We recommend instead that the tax collector make daily deposits to an interest bearing bank account under the control of the treasurer. The tax collector would continue to prepare and frequently deliver a departmental turnover sheet to the treasurer, with an attached copy of the deposit slip. The tax collector would retain the turnover sheet as a record of the deposit, and provide a copy to the accountant, as required by law. As a result, deposits made directly to the treasurer's account immediately begin to earn interest, both the treasurer and the accountant's records will more accurately reflect the town's cash standing, and rather than reconciling banks accounts, the collector can focus on reconciliation of the receivable control.

Treasurer

The treasurer is a community's cash manager and as such, has custody of all municipal funds. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and that balances are monitored to ensure sufficient funds are available to cover town obligations as they become due. The treasurer invests town monies and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, as well as various logs to track balances for grants, trusts and revolving funds and other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt internally, and then with the town accountant on a regular basis. The treasurer also maintains tax title accounts, conducts sales of land, and prepares documents to petition for foreclosure. Lastly, in some municipalities the treasurer is responsible for managing employee payroll and benefits.

The treasurer in Freetown is elected and works full-time. Her term ends in 2009. She has been the treasurer for past four years and previously served as the assistant treasurer. Her staff includes a part-time, 15-hour per week, senior clerk. The senior clerk is primarily responsible for payroll and providing front desk customer support, while the treasurer performs all other duties of the office.

Networked with the accountant, the department computers are installed with Affiliated Computer System's (ACS) New Vision software to log cash receipts. Turnovers received from departments are entered manually into ACS, and deposits occur once per week at Webster Bank. Reconciliations of cash were completed with the former town accountant on a monthly basis until his departure in August. Since then, the treasurer has continued internal reconciliations, but reconciliations to the general ledger have lagged.

Beyond the day-to-day management of cash, the treasurer is responsible for the administration of payroll. Town hall employee payroll is on a weekly cycle, while school payroll is bi-weekly. Utilizing Harpers Payroll Service, the treasurer's office manually enters payroll data from employee timesheets received from department managers. Harpers processes checks and delivers them to the treasurer by courier for distribution to employees. The Harpers payroll software also automatically tracks vacation and sick accruals. In addition to her payroll duties, the treasurer serves as the town benefits administrator and is responsible for employee status updates and the general maintenance of personnel files and records.

Conclusion – The treasurer is knowledgeable, experienced, and runs the office effectively. The recommendations we offer provide guidance on the use of timesheets, advocate a transition from weekly to bi-weekly payroll for all town employees, and encourage the reduction of tailings through the advertisement of unclaimed checks in accordance with [M.G.L. c. 200A, §9A](#).

Recommendation 29: Create a Timesheet Cover Page

We recommend that the treasurer develop a departmental cover page for employee timesheets. The treasurer recently distributed a newly formatted daily timesheet for all employees along with a detailed procedure for its completion. The new timesheet summarizes employee payroll information including name, department, pay period, rate, earning codes, and signature lines for both the employee and department head.

To complement the new timesheets, we advise the treasurer to create and distribute a cover page for information summarized by workweek for each department employee. Information need only include each employee name, total hours worked or used, by type, and total pay due for the pay period. Type of hours would include regular hours, sick leave, vacation time, or compensatory time. The cover page would be submitted to the treasurers' office signed by the department head and the individual employee timesheets, with daily detail on time worked or used, would remain at the department.

Recommendation 30: Reduce Abandoned Property Account Balance

We recommend that the treasurer's office take appropriate steps to move abandoned property, in the form of unclaimed checks, off the town's books. Any check not cashed within three years of issuance is deemed abandoned property under [M.G.L. c. 200A, §5](#). This would include any checks issued by the town to pay employees and vendors, refund municipal taxes or charges, or pay other municipal obligations. Unless claimed by the payor following certain notice, advertisement and other local procedures, property deemed abandoned as of June 30 must be reported and turned over to the state treasurer by the following November 1.

In successive management letters, the town's outside auditor noted balances in the treasurer's abandoned property account, which grew from \$25,522 in FY04 to \$30,884 in FY06. We recommend that the treasurer, at a minimal cost to the town, take steps under [M.G.L. c. 200A, §9A](#) to advertise unclaimed checks, hold hearings and settle any claims. Once the legal requirements are complied with, any remaining unclaimed checks, or tailings, can be credited to the municipality's general fund.

Prior to the passage of three years, tailings are merely listed by the treasurer as outstanding checks. We recommend the treasurer follow the procedure below to keep this list to a minimum:

1. Review the outstanding check list during the monthly process of reconciling the cash book to bank statements;
2. Notify the appropriate department when a vendor, employee or other check is uncashed for 30 days or more;
3. Request that the department manager contact the payee to determine why the check is not cashed;

4. If the payee cannot be located, void the check. Notify the accountant. The town's obligation remains, but a new invoice and warrant approval will be necessary to re-issue payment. If the payee is contacted, put him on notice that the check will be voided if not cashed within 30 days.

Recommendation 31: Segregate Personnel Files

We recommend that the treasurer separate and restrict access to personnel files to comply with state law. Personnel files for each employee contain pertinent information regarding their relationship with the municipality and should be maintained in a way consistent with state and federal laws, regulations, and town policies. There are three specific types of information that must be maintained separately on each employee:

1. Personnel data, as outlined under [M.G.L. c. 149, §52C](#), including all documents kept by the town that have been used or may affect qualifications for employment, promotion, transfer, additional compensation, or disciplinary action;
2. Personal information protected under [M.G.L. c. 214 §1\(b\)](#); and
3. Medical records pertaining to Workers' Compensation, Family and Medical Leave, and information protected by the American Disabilities Act.

To our knowledge, Freetown has no specific rules concerning personnel files. Therefore, we recommend that officials set standards for file maintenance and storage, and set a policy to restrict file access. With the appointment of a new town administrator, it may be appropriate to include personnel oversight within his purview of responsibility. All the information above can be kept in one location, but each type of information should be maintained in its own file folder.

Recommendation 32: Assign Assistant Treasurer

We recommend that the selectmen appoint an assistant treasurer. If the treasurer is absent, for a short or extended period, on-site authorization is still needed to sign vendor checks and to authorize Harpers to produce payroll checks with the treasurer's signature affixed. To cover this situation, we recommend that the treasurer, with the approval of the selectmen under [M.G.L. c. 41 s. 39A](#), appoint an assistant treasurer who can act in the treasurer's absence. The assistant can, but need not be, a member of the treasurer's staff.

Acknowledgements

This report was prepared by:

The Department of Revenue, Division of Local Services

Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

Frederick E. Kingsley, Bureau Chief
Municipal Data Management and Technical Assistance Bureau

Joe Markarian, Supervisor, Technical Assistance Section

Zachary H. Blake, Project Manager & Financial Management Analyst,
Technical Assistance Section

Diane Dziura, Field Representative, Bureau of Accounts

Deborah Stuart, Community Advisor, Bureau of Local Assessment

In preparing this review,

DLS interviewed the following persons and other town hall staff members:

Lawrence N. Ashley, Chairman, Board of Selectmen

Jean C. Fox, Selectman

Lisa A. Pacheco, Selectman

Linda H. Remedis, Administrative Assistant

David A. Theriault, Chairman, Finance Committee

Stephen G. Curran, Tax Collector

Christina R. Jussaume, Assistant Tax Collector

Anita L. Howland, Town Treasurer

Pamela Sousa, Senior Clerk

Ronald Batacao, Chairman, Board of Assessors

Richard L. Field, Assessor

John Laronda Jr., Assessor

Karen M. Mello, Assistant Assessor

Karen J. Robitaille, Senior Clerk

John J. Walsh, Chairman, Water Commission