

TOWN OF MILLVILLE

FINANCIAL MANAGEMENT REVIEW

JANUARY 2016



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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January 5, 2016

Board of Selectmen
Town of Millville
Longfellow Municipal Center
8 Central Street
Millville, MA 01529
c/o Executive Secretary Helen Coffin

Dear Board Members:

I am pleased to present to you the enclosed Financial Management Review of the Town of Millville. I truly believe that if the town follows the recommendations presented here, Millville will realize financial management improvements and be better positioned for the future. I also would like to thank Tara Lynch for her work in producing this report.

As a routine practice, we will post the report on our website, www.mass.gov/dls, and forward copies to the town's state senator and representative.

If you have any questions regarding the report, please feel free to contact Zack Blake, Director of the Technical Assistance Bureau, at 617-626-2358 or blakez@dor.state.ma.us.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

cc: Senator Ryan C. Fattman
Representative Kevin J. Kuros

TABLE OF CONTENTS

Introduction	1
Recommendations	4
Overall Financial Management	4
1. Establish a Town Administrator Position	4
2. Selectmen Set a New Tone for Advancing Town Goals	5
3. Codify the Budget Process in Bylaw	6
4. Establish Formal Financial Policies	7
5. Establish a Comprehensive Capital Planning Program	8
6. Reassess the Town's Technology Condition as Part of a Long-term Plan	9
Financial Management Operations	12
7. Reexamine Revolving Fund Authorizations	12
8. Revisit Recommendations Contained in the 2010 Report on Assessing Operations	14
9. Modify Procedures for Processing Collections	15
10. Revise Turnover Practices	17
11. Adopt an Integrated, Streamlined Cashbook	17
12. Be More Aggressive on Tax Takings and Reducing Tax Titles	18
13. Revise Deputy Collector Procedures	20
Appendix	
Acknowledgments	

INTRODUCTION

The Division of Local Services completed a financial management review of the Town of Millville at the request of its board of selectmen. A team from the Technical Assistance Bureau conducted the review in consultation with staff from the Division's Bureau of Local Assessment, Bureau of Accounts, and Municipal Finance Law Bureau. The review's scope encompassed government structure, fiscal planning, financial policies, information technology, and the operational practices of the town's central financial offices.

Based on our review, we believe Millville must consider instituting a new governing model in order to meet the fiscal and operational challenges it faces. The lack of a town administrator with specific expertise in financial management and at least equal standing with other town departments has impeded the selectmen's ability to effectively coordinate operations and analyze issues impacting the town. Weaknesses exist in long-range planning, information technology, internal controls, and procedural efficiencies. Our report offers structural and financial management recommendations of a global nature, as well as practical guidance on day-to-day departmental operations. By heeding the advice, we believe Millville's officials will be better equipped to provide the leadership needed to foster sound decision making, town operations will function more effectively, and residents will perceive that, despite the challenges Millville faces, its government is taking positive action.

BACKGROUND

The Town of Millville is a small, residential community of roughly five square miles and 3,200 citizens located in southern central Massachusetts. Originally part of the Town of Blackstone, Millville did not separately incorporate until 1916. As its name suggests, the town's economic origins lay in various mill-based manufacturing plants, but since the historical collapse of that sector, minimal commercial development now exists in the town. Instead, it provides a modest bedroom community to a populace who generally commute to jobs in larger municipalities, including Worcester, MA and Providence, RI, both lying roughly 20 miles away.

With Millville's commercial and industrial sector comprising only about seven percent of the property base, its residents shoulder the bulk of the tax levy at the same time that various measures point to the town's relatively poor economic status. Its 2013 per capita income of \$27,263 was 27 percent below the state average of \$37,238. Its equalized valuation per capita, a measure of property wealth, was \$78,627 in 2014, or 46 percent less than the state average of \$146,006.

In FY2015, Millville's general fund budget totaled almost \$5.8 million. The town's certified free cash balance as of July 1, 2014 was \$416,465, or 7.2 percent of its budget. Additionally, at the close of FY2014, Millville had 4.7 percent of its budget (\$271,635) in a stabilization fund. These are fairly

healthy reserve figures, but the upward turn has been a recent trend. It is a stated goal of the new finance committee chair, however, to sustain a commitment to investing in the stabilization fund to redress the former depletion and prepare for major capital projects on the horizon. Of particular concern is the town hall, known as the Longfellow Municipal Center, which has significant structural issues.

In the past year, an ad hoc committee concluded that it would be more affordable to build a new town hall than to rehabilitate the Longfellow building. It is likely then that the town will need to obtain bond financing for the first time, which will entail seeking a credit rating from one of the national rating agencies. In assessing the town, the chosen agency will look closely at Millville's management structure, financial policies, and overall fiscal health, among other factors, to assess the town's credit risk and ability to meet financial obligations.

In the absence of a charter, the Town of Millville operates under a mix of state statutes and local bylaws that collectively define governmental procedures and officeholder responsibilities. A five-member board of selectmen serves as the executive branch and appoints a full-time executive secretary to generally facilitate operations. Legislative power is vested in open town meeting, and there is a five-member finance committee to advocate for the interests of town meeting.

Millville established the executive secretary position in 1990, but there is no bylaw that defines the office. By tradition and job description, the position is essentially a selectmen's assistant and liaison to department heads and other boards and officials. Although assigned a wide range of duties, the position lacks the inherent standing to coordinate interdepartmental objectives or take initiative to improve operations. When the executive secretary performs any of these functions, she does so due to the cooperation of town employees. The selectmen also do not have a designated official charged with and qualified in the higher-level financial and operational analysis needed to address the complexities of modern municipal government.

What's more, under the existing traditional framework, the town's ability to move forward toward a stronger fiscal future is more susceptible to being undermined by waning resident participation in local government, particularly when effective political leadership is also lacking. From what we have been told, this has been the situation in Millville for some time. The town struggles to find volunteers for boards, and consequently the same people often serve on multiple ones. Half the finance committee's membership is currently vacant. The 40-voter quorum for town meeting is often not assured. The trend is even reflected in the select board, which had three of its five current members initially gaining their seats by write-in vote. Having the continuity of a well-defined and empowered town administrator can help mitigate the impact of this type of flux.

By requesting this review, the selectmen have shown a collective recognition that the status quo is no longer sufficient to govern the town well. To make wise decisions on the town's fiscal future,

they and the finance committee need to receive sophisticated analyses of financial data that they can be assured is reliably and accurately produced by the town's financial officers. Future success will also depend on an appointed official who can represent the select board and work effectively with external parties in pursuit of grant funding and regionalization opportunities.

In a town whose small active voting pool has consistently rejected converting the town clerk and highway surveyor to appointed positions, the transition towards a more modern government structure will require some advocacy by local leaders. For comparison, we reviewed eight communities similar to Millville in population, budget, and socioeconomics, and found that half had a town administrator or town coordinator. The absence of a duly defined town administrator in Millville has contributed to a disjointed budget process and meager capital planning. No guiding financial policies have been formalized, and local officials focus mainly on the issues of the day and year ahead, rather than on decision making for three, five, or ten years out. The town is therefore not well prepared to deal with unanticipated negative events nor to take better advantage of opportunities to make government operations more efficient and economical.

Nonetheless, there are positive indicators of renewed efforts to proactively improve operations and cost-effectiveness. The new finance committee chair has led a push to establish annual goals and objectives. The executive secretary has recently improved technology operations in part by selecting a new, more effective technology management vendor. The town voted this year to create a fund to address its other post-employment benefit (OPEB) obligations. The selectmen have also applied to the Governor's Community Compact initiative for help in formulating financial policies and a capital improvement program. In the next sections of the report, we present guidance to help Millville continue on this positive course.

OVERALL FINANCIAL MANAGEMENT

The five members of Millville's board of selectmen collectively act as the executive branch of government with overall responsibility for the town's operations. They meet semimonthly to approve payroll and vendor warrants and conduct town affairs. To handle day-to-day activities on their behalf, the selectmen employ a full-time executive secretary. The bylaws call for a finance committee to advocate for the financial interests of town meeting as well as a capital program committee to coordinate the town's capital improvement program.

In reviewing Millville's overall financial management, we looked at the operative policies and practices that impact town government globally and also reviewed the procedures connected with objectives that cross over various municipal departments. We examined organizational structure, budget process, long-range planning, and the state of technology. Based on our observations, we offer the following advice.

1. Establish a Town Administrator Position

We recommend Millville establish a town administrator position in place of the executive secretary. Given the scope of municipal government, the money involved, and the skill sets needed today, an increasing number of towns, including those with less than 4,000 people, have been establishing stronger, central administrator positions. In contrast, Millville's executive secretary position lacks the authority to coordinate town departments and therefore does not have the standing to effectively execute town-wide goals.

Simply creating a new position under a different job title, however, will not help the town achieve objectives of more vigorous management, better financial analysis, and improved long-range planning. Local leaders must be determined to create a well-defined position that will establish continuity, foster accountability, and be attractive to well-qualified job candidates. The selectmen should begin by creating a job description, and in that process, consider all the duties that they have the authority to assign. DLS has a bias toward a strong town administrator role with appointing and supervisory authority over other department heads, but this is a local decision. Based on our observations over time, a vertical, centralized management presence has generally proven to be the best way to promote efficiency and accountability. In addition to job duties, the selectmen must also set minimum qualifications for the position, including education level, work history, and professional experience.

When the selectmen have decided the town administrator's authority, duties and responsibilities, we further advise them to sponsor a town bylaw to codify the position. This will elevate the office's importance, affirm a commitment to centralized management, and make the change a more lasting improvement in government structure. We typically expect a town administrator role to

encompass, among other duties, supervising department heads, developing the budget, managing the capital improvement program, overseeing technology, administering personnel policies, and representing the board of selectmen to other town boards and to external parties.

It is up to the selectmen to propose the transition to a town administrator and design the position to their specifications. Once determined, and after conducting a salary survey, they may consider whether the role requires full- or part-time hours. Millville could also explore the feasibility of sharing a town administrator with another community. Although this is nearly untested territory, the small towns of Wendell and New Salem in Franklin County have a shared town coordinator. Additionally, the town should consider what administrative support the position might require. Particularly if the board seeks a part-time town administrator it might make sense to employ a full-time administrative assistant to ensure a satisfactory customer service level.

2. Selectmen Set a New Tone for Advancing Town Goals

In addition to retooling operational effectiveness by creating a town administrator position, the board of selectmen can make a greater direct contribution to the development of a more dynamic governance model. To that end, we offer the advice below designed to enhance the exercise of the board's essential role in setting the town's policies and directing its affairs.

Establish goals and objectives. For the town administrator to be effective, there needs to be a clear understanding of his or her role. The selectmen and new town administrator must come to an understanding on short- and long-term priorities, expectations, and realistic reporting and decision-making deadlines. Establishing goals and objectives together will more clearly define their relationship and performance expectations. The town administrator should also be subject to annual performance evaluations by the selectmen.

Once this relationship is well established, we encourage the selectmen to make this goal-setting process an annual component of budget development and charge the town administrator with extending it town-wide. By working with department heads, the town administrator would propose specific, reasonable benchmarks to the selectmen for each department head to accomplish, consistent with the mission of government. During the year, opportunities will arise to discuss progress and, if necessary, bring focus to bear on areas where shortcomings are identified. By year-end, the town administrator can review progress on departmental benchmarks, provide feedback, and make appropriate adjustments for the ensuing year. Having a system of formal goals fosters clarity of purpose and expectations for departments and creates a clear relationship between the budget and service priorities.

Play a greater role in the budget process. If a town administrator is appointed, we would expect him or her to be the primary orchestrator of the annual operating and capital budgets. And while we envision the finance committee retaining its latter stage assessment role, the town would benefit from a more involved select board. This is especially true now that the finance committee has lost the services of its more experienced members. We have been told that there is sometimes difficulty getting information from departments. Also, given the finance committee's seasonal, volunteer nature, it can lack for clarity on departmental directives and

interdepartmental objectives. These are examples of stumbling blocks that the selectmen can help overcome with the assistance of the town administrator. The selectmen need to reassert their essential role in ensuring that budget development reflects the goals they set for the community.

Grant Authority to the Town Administrator for Signing Payable Warrants. Under M.G.L. c. 41, §52, the board of selectmen have the sole authority to approve payrolls and bills for payment. This approval is affirmed by the signatures of the majority of select board members on vendor and payroll warrants. However, it is our understanding that there is sometimes difficulty in obtaining the requisite signatures timely. Therefore, as a matter of convenience, we recommend that Millville file special legislation delegating this responsibility to the town administrator. Model language for the special act can be as simple as: “The board of selectmen of the Town of Millville delegates the responsibility for signing the warrants for payment of town obligations to the town administrator.”

It is worth noting that the Governor recently submitted legislation ([sections 54 and 55](#)), which if passed, would allow the select board to designate one of its members to approve all bills and payrolls, with the others members still required to sign in the event of the designee’s absence.

Finally, the town might reconsider if it wishes to sustain a select board membership of five people as opposed to three. There are pluses and minuses for both larger and smaller boards. We only mention this as a consideration if there continues to be low interest in running for seats on the board. Millville is an outlier in having a five-member board versus other communities of similar size.

3. Codify the Budget Process in Bylaw

We recommend Millville adopt a bylaw that lays out the key elements of the budget process, including roles and responsibilities, event calendar, data collection procedures, and required approvals. A primary policymaking tool, the budget reflects a town’s decisions for the allocation of its scarce resources. By codifying the budget process, a community can promote year-to-year consistency and inspire confidence among local officials and residents that decisions are made pursuant to a thoughtful process that endures even as elected and appointed officeholders change.

Historically, responsibility for budget development in Millville has fallen to the finance committee. The current committee membership lacks experience and is seeking to fill some vacancies. As the town contemplates the future role to be played by its central administrator, we advise that it should encompass the responsibility for, at minimum, coordinating the initial stages of the budget process. This is a logical assignment given the position’s central, administrative status and ability to liaise between and among the town’s policymakers and department heads. This would still allow the finance committee to continue to advise and make recommendations in the later stages.

Among other considerations, a comprehensive budget process bylaw would include the following:

Calendar of events – Working backwards from the date of annual town meeting, set dates for the key events, beginning with a joint kickoff meeting between the board of selectmen and finance committee in the early fall to reach consensus on budget guidelines for the next year. Also included should be deadlines for submitting operational and capital appropriation requests and the consequences for late submission.

Long-range revenue and expenditure forecasts – Assign responsibility for the timely creation and presentation of initial projections and for updating data as warranted. This will provide context for analyzing requests relative to long-term, town-wide goals and incorporating capital planning.

Linear progression – Outline the procedural flow from initial budget consolidation by the executive secretary (or town administrator), to the selectmen’s review and approval, to the finance committee’s review and final recommendations. Provide for budget hearings with department heads and for a public hearing hosted by the finance committee.

Town meeting presentation – Assign responsibility for presenting the operating and capital budgets (traditionally done by the finance committee in Millville).

Ongoing review – Require quarterly review of revenue and expenditure reports by the board of selectmen and finance committee to monitor the budget during the year. This provides the opportunity to make plans for any necessary corrective actions and to consider advance forecasting into the next year.

Throughout the budget’s development, it is crucial that officials maintain a strong commitment to the process, to a high level of communication, and to reaching consensus. There should be an ongoing exchange of information among officials, particularly as they get deeper into the process, to attain a unified budget position at town meeting. In addition to a budget process bylaw, we encourage local leaders to build on the progress recently made in meeting early in the budget year with the regional school committee and with Blackstone’s select and finance boards.

4. Establish Formal Financial Policies

To promote fiscal stability and reinforce internal controls, we recommend that Millville establish a set of formal financial policies. Besides providing best practice guidance to officials on responsible and effective management, a comprehensive set of financial policies can elevate resident confidence in the town’s fiscal practices. The existence of formal policies is also a favorability factor for credit rating agencies. Millville’s Community Compact application for technical assistance for developing financial policies was approved and is pending signatures.

We generally advise communities to establish formal policies covering the following areas:

Long-Range Financial Planning: Include multiyear revenue and expenditure forecasting, and capital improvement planning.

Revenue Policies: Identify revenue sources and promote diversification, sustainable increases, and conservative estimates.

Fees and Charges: Stipulate the legal basis for establishing fees and charges, the methods by which they are set, the extent to which costs are recovered, and the requirement for periodic reviews through costing studies.

Investments: Outline the controls established to ensure compliance with state laws, preserve liquidity, and maximize rates of return while minimizing risk.

Use of One-Time Revenues: Promote consistent, prudent practices for the management of various one-time revenues, including free cash. The policy should preclude using these types of revenues to fund recurring expenses.

Reserves and Stabilization Funds: Endorse the practice of appropriating money annually to legal reserves for future needs and identify potential extenuating circumstances for which reserves may be used.

Debt Capacity, Issuance, and Management: Specify the appropriate uses for debt, the timing of long-term bond issuances, the financial advisor's role, and the allowable ratio of debt service to total budget.

Further policy guidance can be found on the Government Finance Officers Association's website, www.gfoa.org.

5. Establish a Comprehensive Capital Planning Program

We recommend the town recommit to sustaining a comprehensive, multiyear capital plan. Local officials recall a time when the town maintained a consistent, long-range capital improvement plan. However, as Millville faced the worsening economic years of the recession, the commitment to annually assessing long-term capital needs eroded. The town now evaluates capital proposals essentially ad hoc and without a formal, guiding process. But dwindling resources and limited ability to fund capital improvements makes the need for detailed, ongoing planning more, not less, acute.

The town has a bylaw, last revised in 2012, that establishes a capital program committee (CPC) composed of a finance committee member, a planning board member, the executive secretary, and three resident volunteers appointed by the moderator. The bylaw requires all elected and appointed department heads and board chairs to annually submit their current and anticipated capital requests to the CPC. The CPC is charged to update and maintain a town-wide, five-year capital plan and to prepare an annual report of recommendations and financing proposals.

Although the bylaw sets a good foundation, to provide more practical guidance to current and future CPC members, we recommend the town formulate a set of corresponding capital planning policy and procedures. The executive secretary (or town administrator), as policy liaison to the

select board, should work with the other CPC members to write and submit these to the selectmen and finance committee for their review and approval. Below we provide guidance for the capital program and procedures. Implementing some of these changes will entail slight revisions to the capital bylaw.

Appoint an odd number of members to the CPC. Whether shifting from the current, six-person membership to five or seven members, this would remove the possibility of voting stalemates. Choosing which capital projects to recommend can be difficult, but this change helps remove one challenge. We also advocate that the executive secretary (or town administrator) function as CPC chair.

Produce and maintain an ongoing, five-year capital forecast. This will enable officials to evaluate capital requests with multiyear impacts, identify proposals that may not be funded or may be deferred, and develop long-range financial plans.

Establish a recurring funding source for capital improvements. The lack of a financial commitment to annually fund capital needs makes it difficult for the CPC to propose a capital budget, let alone a multiyear plan. More effective would be a consistent, year-to-year funding plan backed by policies that guide the use of debt, dollar outlays, and capital exclusions¹. Among the options the town could consider are:

- Identify a percentage of free cash to use for direct capital outlays or capital stabilization appropriation.
- Specify an amount available for debt service for capital improvements as a percentage of recurring general revenues.
- Establish guidelines to determine when a capital improvement qualifies for funding through capital exclusion.
- Define capital needs as functions of the annual asset depreciations calculated under the requirements of the Governmental Accounting Standards Board's Statement 34.

DLS has published a guide for implementing capital improvement programs that can provide a starting point for formalizing a policy and procedures tailored to Millville. It is available on our website at [Publications and Other Useful Links](#). Additionally, Millville's Community Compact application for financial policies and capital improvement technical assistance has been approved and is pending final agreement.

6. Reassess the Town's Technology Condition as Part of a Long-term Plan

In reviewing the condition of information technology (IT) in Millville, we noted some areas of concern. Limited budgetary leeway makes it difficult for the town to maximize the benefits to be gleaned from technological enhancements, in particular on what it can consider for superior software purchases. Nevertheless, we advise the town to complete a formal IT evaluation and to

¹ Capital outlay expenditure excluded under Proposition 2½. The full cost of a capital purchase is raised through taxes in one year only.

frame the results in a multiyear technology plan that includes a prioritized schedule for improvements.

As is typical in a small town, Millville does not employ a full-time IT professional. Management of the town's IT needs falls under the select board's general oversight and is administered by the executive secretary. With the exception of police and fire, which receive significant grant funding for IT procurement, there is a town-wide line item for all technology expenditures. The executive secretary is the town's central procurement officer for IT, and she maintains a complete, detailed inventory and replacement schedule for all software and equipment. With the assistance of another town staffer, the executive secretary is also responsible for the town website's maintenance and updates, which are done comparatively timely.

To ensure the effective functionality of the town's IT systems, the executive secretary manages a contract with CM Geeks, Inc. Among services covered by the contract are: remote and hard disk data backups, user account administration, firewall management, malware protection, and user support. This contract covers the IT needs of the entire town except for the police department, who uses a different vendor in part to maintain coordination with its regional dispatch partner, the Town of Mendon.

The town's central financial offices use a variety of applications to manage their recordkeeping as detailed below:

- The accountant uses Business Management Systems Inc. (BMSI) for the general ledger.
- The assessors use Patriot Properties appraisal database to manage all property-related information.
- The treasurer/collector uses:
 - Point for generating property tax bills, recording collections, and managing receivables and tax titles
 - Excel for cash management tracking
 - BMSI for processing payroll

Based on our review, we recommend that a reevaluation of the town's IT condition should closely consider the following:

Lack of software integration. Although town hall computers are connected to each other through a local network, the various financial applications in use are not programmed to "talk to" each other, which creates obstacles to efficiency and data integrity. Presently, information must be shared through electronic data conversions or hard-copy reports and repetitive data entry. For example, there is no bridge between Point and BMSI. So the treasurer/collector must summarize turnover data on an Excel report and send this to the accountant, who then must

enter the data into the BMSI general ledger. Further, the assessing department sends its commitment to Point's offices to upload into the town's Point database.

We suggest the executive secretary initiate discussions with these vendors to see if additional programming might allow for more data integration. If nothing comes of these efforts, she should do a cost-benefit analysis on the purchase and implementation a single software system, or at least fewer ones, by researching and soliciting informational materials from appropriate companies. A more universal software package(s) would facilitate immediate data sharing, eliminate duplicative inputs, and reduce data entry errors. It is a valuable exercise to compare current software capabilities with other options on the market to have the research at hand should financial resources become available.

Limited budget transparency. Only three Millville department heads have access to the BMSI database: the executive secretary, the accountant, and the treasurer/collector. With BMSI's live network connection, users can view certain types of data simultaneously in real time depending on their account settings. If this view access could be extended to all department heads, they would have more ongoing ability to monitor their own budgets. These budget transparency and shared responsibility best practices are fast becoming the norm in municipal government. If a town-wide BMSI license expansion would be too costly, another option would be to gradually roll it out to other departments beginning with the larger ones. As another consideration, cloud-hosted software services tend to be cheaper and are an increasingly popular alternative.

Vulnerable email retention. Within Millville's personnel policy and procedures manual, there is a section devoted to Computer, Electronic Mail and Internet Use. We recommend that the email policy be revised to provide greater controls to ensure the retention of email as a public record. While the policy states that messages sent using the town's email addresses are public records, it does not make clear that every town employee and official should use only his or her town-issued email address for all town-business-related electronic correspondence. Furthermore, the policy places responsibility on individual departments to print and store all email correspondence older than two years. Given data storage advancements, this protocol is outdated and high-risk for human error data loss. We therefore recommend the executive secretary talk to CM Geeks about establishing procedures for automated, long-term, electronic-storage-based, email archiving.

FINANCIAL MANAGEMENT OPERATIONS

Beyond the consideration of Millville's overall financial management, the rest of our review focused on the practices of the central departments involved in the town's day-to-day finance operations. These include the offices of the town accountant, treasurer/collector, and assessors. Below we provide a brief personnel summary of each department:

Town Accountant: In November 2015, Millville's town accountant retired after holding the position for 27 years. The same month, the town hired her replacement, a person with many years of accounting experience in other municipalities. Whereas the former accountant had mainly worked from home, the new incumbent will be working in town hall for the foreseeable future, which will go a long way in helping to integrate him with town operations. As a retiree from another community, he will work less than 18 hours per week for Millville.

Treasurer/Collector: In Millville, treasurer and collector responsibilities are functionally combined into one office. The current treasurer/collector has held the position for 10 years and works 34 hours a week. The department also has a 12-hour-per-week assistant collector. The treasurer/collector contracts with the deputy collector firm, Kelley & Ryan Associates, Inc., to handle excise billing and to conduct collection enforcement on all delinquent excise accounts. The treasurer/collector office also processes the town's biweekly payroll and manages employee insurance benefits.

Board of Assessors: The board of selectmen appoints the three members of the board of assessors, who function as a policy board. Additionally, one of the board members is employed by the town as assistant assessor and functions as the department head, working 25 hours a week. The assistant assessor does a limited number of sales inspections herself. For all other inspections and for revaluation analysis, the town uses consultants from Mayflower Appraisal Services, Inc.

Generally speaking, these departments fulfill their fundamental responsibilities and comply with various internal and external reporting requirements. However, we observed practices that could be improved upon and therefore offer the following advice.

7. Reexamine Revolving Fund Authorizations

We recommend Millville act to ensure its revolving fund authorizations conform to statutory requirements. Unless a separate law provides for alternative accounting, [M.G.L. c. 44, §53](#) dictates that all revenue is general revenue required to be deposited to the general fund. A revolving fund is one alternative treatment of revenues. A municipality establishes a revolving fund to receive payments in exchange for providing a service. Without need for further appropriation, those funds must then be used to support the service provided. Revolving funds can only be established under statutory authorizations with defined purposes and restrictions.

In the past year, Millville town meetings authorized or reauthorized certain revolving funds under [M.G.L. c. 44, §53E½](#) that we find inconsistent with law for various reasons, summarized according to fund name below:

Council on aging's van fund. Revolving funds are intended for revenue derived from fees only. A fee is defined as a charge paid voluntarily in exchange for a tangible benefit or service to the payer. Therefore, a revolving fund may not include receipts from donations. Donations intended to support a council on aging program can be deposited to a gift fund authorized under [M.G.L. c. 44, §53A](#), however.

Animal control fund. The authorizing town meeting article states that fines are included this fund, but this is inappropriate because a fine is not a service fee. The other cited revenue source is dog licensing fees. However, [M.G.L. c. 140, §147](#) specifies that these receipts must go to the town treasury, with the town clerk permitted to retain only \$0.75 of each license issued.

Firearms / fingerprinting fund. Millville annually reauthorizes a revolving fund under 53E½ for firearms fees, which in November 2015, it expanded to include fingerprinting fees. DLS [Bulletin 2014-03b](#) from March 2014 provides guidance on how to account for the \$100 firearm identification card fee provided for under [M.G.L. c. 140, §129B](#). Apart from the money that must be sent to the state, the remaining \$25 is general fund revenue.

[M.G.L. c. 6, §172B½](#) governs the treatment of fees from fingerprint background checks. This is noted in town bylaw [Chapter 75, Article 2, § 75-4](#) adopted in September 2013, which also states that "The Town Accountant shall periodically consult with Town Counsel and the Department of Revenue, Division of Local Services, regarding the proper municipal accounting of those fees." In compliance with c. 6, §172B½, the town should deposit \$30 of its \$100 fee into the state's Firearms Fingerprint Identity Verification Trust Fund and put the remainder in a receipts reserved for appropriation account. Funds in a receipts reserved for appropriation account, unlike those credited to a departmental revolving account under 53E½ cannot be expended without appropriation.

Cable access fund. In November 2015, pursuant to [Chapter 352 of the Acts of 2014](#), town meeting voted to adopt [M.G.L. c. 44, §53F½](#), which creates a receipts reserved for appropriation account into which the funds received in connection with a cable franchise agreement are deposited. As previously explained, funds in a receipts reserved for appropriation account cannot be spent without an appropriation vote by town meeting. So, from the time that the receipts reserved account is created, the cable-related revenue is credited to that account and town meeting may appropriate funds from the account only "for cable-related purposes consistent with the franchise agreement, including, but not limited to: (i) support of public, educational or governmental access cable television services; (ii) monitor compliance of the cable operator with the franchise agreement; or (iii) prepare for renewal of the franchise license."

Prior to the effective date of that Act and local adoption, cable franchise fees and other cable-related revenue are treated as general fund revenue under M.G.L. c. 44, §53. They are generally not appropriate for a departmental revolving fund. As a result, the funds that the town previously credited to a 53E½ cable departmental revolving fund were incorrectly characterized and should have been deposited to the general fund.

At the annual town meeting in May 2015, voters approved a separate article to appropriate the “lesser amount of either Fifty percent (50%) of any fees collected in the Cable License fund, as returned from the Cable License holder to the Town, or” \$7,500 to the “Superintendent of Schools of the Blackstone-Millville Regional School District for the use of the Director of the Library and Media Services to enhance the curriculum offerings....” This was inappropriate for two reasons. First, as explained above, the funds credited to a “cable revolving fund” should have been general fund revenue. Second, even if the funds had been properly credited to a revolving fund, appropriations must be made in a dollar amount. A vote to appropriate “the lesser amount of” 50% of fees collected or \$7,500 is not a specific appropriation under M.G.L. c. 44, §53.

Police cruiser detail. This 53E½ revolving fund was newly created at the November 2015 special town meeting, but as a general rule, 53E½ revolving funds must be authorized at annual town meeting. The exception to this applies only if a town department begins a new, fee-based service or begins charging a fee for an existing program or service, and the town accountant certifies that the revenue was not used in setting the tax rate. While this may or may not have applied here, we mention this advice for future reference when planning 53E½ revolving funds.

The November 2015 town meeting warrant also contained proposals to increase spending limits of previously authorized revolving funds, but this was not necessary to put to town meeting vote. During a fiscal year, the 53E½ statute allows the board of selectmen and finance committee to approve an increase to the spending limit of any active revolving fund authorized by annual town meeting without needing a new town meeting vote as long as the new spending limit for that fund does not exceed one percent of the tax levy.

Officials should note that Sections 84 and 85 of the [Municipal Modernization](#) bill pending before the legislature would amend the departmental revolving fund statute to provide more flexibility, although the proposed changes would still not accommodate the noncompliant factors noted above. In light of all this, we advise the new accountant to reexamine all the town’s revolving funds. For any found to be inappropriate under §53E½, the income must be accounted for as general fund revenue. To otherwise set aside particular revenue, the town can seek special acts permitting it to establish special revenue accounts.

8. Revisit Recommendations Contained in the 2010 Report on Assessing Operations

In October 2010, the Technical Assistance Bureau completed a review of Millville’s assessing department. We have been informed that many of the 14 recommendations contained in the resulting report have not been acted upon. Without reiterating all the details of that report, here we briefly reemphasize the importance of addressing unresolved issues, such as:

Establish a cyclical inspection program. The assistant assessor has discussed this with her appraiser consultant, but as of yet, no formal, systematic program to ensure timely and efficient inspections of all town property over a multiyear period has been implemented.

Assess to owners unknown. Some progress has been made here because the assistant assessor was able to determine the owners of some properties for which this had been in question. For other properties of this type, however, there has been little movement to seek authority from the Commissioner of Revenue to assess them to “owners unknown.”

Abate unlocatable parcels. The assessors have not yet sought abatements through the process outlined under [M.G.L. c. 58, §8](#) for the four parcels cited in 2010 as being unlocatable.

Notwithstanding the above, the assistant assessor, who was appointed after the 2010 review, deserves praise for driving efforts to expand technology to make operations more efficient. This includes working with the planning, building inspector, and town clerk departments to establish Access databases for tracking and sharing interdepartmentally useful information. We also commend her efforts to expand the use of scanners to improve document maintenance practices and sharing between departments.

9. Modify Procedures for Processing Collections

Our review of collection procedures revealed opportunities to create greater efficiencies, reduce paperwork, and tighten internal controls. The assistant collector processes all collections until she turns them over to the treasurer/collector. The treasurer/collector reviews the assistant collector’s work and her deposit packages prior to depositing the money in the bank. To improve collection practices, we offer the following recommendations.

(1) Receiving manual payments:

- Each payment should have a payment source document, which in this case is a tax bill remittance slip. When the assistant collector receives a collection without the bill slip, she prints a bill copy from Point. The bill and payment amounts should match. When they do not, the assistant collector will not process the payment. Instead, she asks for the correct amount from the over-the-counter payer and tries to contact other payers by phone and letter to get corrected payments.

For unmatched payments received in the mail or town drop box, we recommend the assistant collector write the actual amount received on the bill slip and process the payment. This prevents delays in realizing the revenue and avoids the extra work of tracking payers down. Any over- or under-payments will be automatically added or debited from the next quarter’s bill generated by Point.

- We recommend the assistant collector restrictively endorse every check as soon as a payment is handed to her or pulled from its envelope. This is done by stamping it for deposit only with the treasurer/collector’s stamp from Unibank. Currently, this stamp is only applied when the assistant collector hands over her deposit bundles to the treasurer/collector. Immediate restrictive endorsement is a basic internal control that prevents any further negotiable action on the check, such as being signed over to another party.

- In addition to issuing receipts to all individuals paying by cash in person at town hall, we advise the treasurer/collector to implement and monitor these other cash processing controls: post cash in Point immediately upon receipt, create a separate deposit slip for the cash amount, and then put the cash and deposit slip in the collection strong box until the deposit packages are turned over to the treasurer/collector.

(2) Receiving electronic payments:

- The department receives electronic notification of payments submitted by certain real estate escrow companies and from Unibank of credit card payments made via the town website. When these electronic files are received, the assistant collector reads the information and manually enters the payment data into Point. To eliminate the data entry work and prevent potential keystroke errors, we advise the treasurer/collector to contact the companies involved about transmitting files that can be imported to Point and automatically posted to payer accounts. This capability is advertised by Point and Unibank and has been implemented in other communities.

(3) Post payments in Point before creating deposit bundles:

- We recommend the treasurer/collector department rely on the automation provided by Point to more efficiently summarize revenues being turned over. Under current practice, the assistant collector makes a pile of the checks and cash received and a pile of bills and runs adding machine tapes on each until they balance. She then creates a deposit slip for the total batch. Then she separates the receipts into piles by collection category (real estate, personal property, and motor vehicle excise), adds these individual groups again separately, and writes the subtotaled amounts in a categorized table on a turnover sheet. When all categories are grand-totaled in balance with the deposit slip, she turns the whole bundle (minus the bills) over to the treasurer/collector.

To eliminate redundant adding machine totaling, reduce chances for human error, and remove extra manual paperwork, we recommend the following process instead:

- a) After performing the receipting controls mentioned in (1), the assistant collector should next enter the payments in Point by inputting the information presented in a batched pile of bills and uploading any electronic files (2).
- b) Run "Cash Report" off Point. This is a batch report that summarizes receipts by subtotaled receipt category and a grand total.
- c) Run an adding machine tape on the pile of cash and checks. If they do not balance to Cash Report, find and correct the data entry error in Point and rerun Cash Report until it balances with the receipt pile.
- d) Now create the deposit slip and join it with the deposit slip for cash, if any.
- e) Turn over to treasurer/collector by presenting her with a signed copy of Cash Report, the deposit slip(s), and the payments.

Implementing these suggestions will free up a significant amount of the assistant collector's work time, which will allow her, with adequate training, to provide more assistance to the treasurer/collector on tax taking, payroll audits, or other projects as needed.

10. Revise Turnover Practices

The success of the treasurer/collector's office depends on adherence to timely, accurate and consistent execution of requisite tasks by its staff and by all town employees who handle money. Our review revealed some areas that could become more efficient and securely controlled. To that end, we recommend the treasurer/collector compose policies and procedures for the selectmen to approve and circulate town-wide. These should incorporate the following:

Security of departmental receipts. All departments that accept cash should issue prenumbered receipts even when payers attempt to decline them. These departments should also maintain a receipt log detailing each payment date, purpose, and payer. Until being turned over, all money should be stored in a lockbox within a locked drawer or in a safe, if available. Copies of each issued receipt should be included with the turnover to the treasurer/collector while the receipt log information remains in the department.

Departmental turnovers to the treasurer. All departments should turn over their receipts to the treasurer/collector weekly or on the same day when an established threshold is reached, like \$100. The current turnover form should be revised to add a line for the department representative to sign his or her name when the turnover is accepted. The treasurer/collector should establish fixed office hours for accepting turnovers and redirect back to departments any that are left at her office or in the town drop box. Any errors identified by the treasurer/collector should be corrected on the turnover form by the department representative prior to being signed as accepted by both parties. After being signed, two copies of the turnover form should be made and given back to the department representative.

Deliver copy of accepted turnover to the accountant. To provide a check and balance, MGL c. 41 §54 requires departments to give the accountant records of any turnovers made to the treasurer. The department representative should keep one of the two copies made by the treasurer/collector and deliver the other to the accountant. The accountant must insist that departments provide him with turnover copies signed by the treasurer/collector.

11. Adopt an Integrated, Streamlined Cashbook

We recommend the treasurer/collector adopt a cashbook format similar to the one on our website at [Sample Forms and Spreadsheets](#). Like the files the treasurer/collector uses presently, the sample is Excel-based, but the DLS model consolidates data that the treasurer/collector presently tracks in separate documents. Her current system requires some manual duplication and copy-pasting, which is more time consuming and subject to error.

The sample format lists the daily in- and out-flow of money to individual town bank accounts and connects these transactions to daily treasury receipts and weekly payroll and vendor warrant disbursements. When updated timely, the comprehensive record of interrelated transactions makes this type of cashbook most effective for determining the town's cash status at any given time. It does so by calculating each bank account's debits and credits and by including a formula-enabled cell that sums all transactions, thereby presenting the town's overall current cash position.

To keep the cashbook consistently up to date, it is important that the treasurer/collector enter transactions as they occur. Each new month starts with a beginning cash balance. Receipt entries are based on events like departmental turnovers, wire transfers, and interest earned. As deposits occur, the treasurer/collector should enter them in the appropriate columns to the right representing the town's bank accounts. As an end-of-month check, total deposits should match total receipts. As payroll and vendor warrants are processed, disbursement amounts should be entered in another column. With timely recording of deposits, withdrawals, and bank account transfers, the treasurer/collector can readily reconcile her cashbook with her bank statements each month.

12. Be More Aggressive on Tax Takings and Reducing Tax Titles

We recommend the treasurer/collector be more aggressive with tax collection enforcement by moving her receivables into tax title sooner and developing a systematic plan to address properties in tax title. Implementing the efficiency practices recommended in this report should free up more of her and her assistant's time to apply to these activities. Additionally, a recent state law provides a way to create a new funding source to support the tax enforcement program.

The total receivable balance of uncollected taxes as of FY2015's close was \$311,710. This constitutes 7.29 percent of the town's tax levy (minus overlay), which is a concerning level, especially because the year-to-year trend does not show consistent improvement. When the rate of uncollected taxes trends consistently above five percent of net tax levy, it presents a risk on the town's long-term cash flow. Left unchecked, inadequate cash flow can impact the town's ability to pay its debt and other obligations timely and cause the deferral of necessary purchases. Although the weak local economy contributes to this to some degree, it is also generally indicative of inadequate collection procedures in combination with inattentive fiscal oversight.

Expedite Tax Takings

The treasurer/collector typically sends initial demand notices to delinquent property owners in mid-June and sends some follow-up letters in the next few months. After this, however, she waits two to three years before placing delinquent properties into tax title. She follows this time frame in part to provide a form of customer service in granting people extra time to pay and also because the tax taking process itself costs time and money. Nevertheless, we maintain that this is too long and risks the town losing liens, which can potentially happen with properties not placed in tax title within three-and-a-half years after the fiscal year in which taxes were assessed. Additionally, stricter enforcement action early on produces better results, particularly since oftentimes in these situations it is the same people who delay paying. We therefore recommend the treasurer/collector complete the tax taking process within a year.

Address Tax Title Backlog

As of September 2015, Millville had 79 tax title properties collectively owing \$585,038 including fees and interest. These are large figures, and as thorny as some of these properties may be to resolve, collectively they represent significant unrealized revenue.

Among the list are some potentially contaminated properties whose clean-up costs may make them nearly unsellable. In these situations, it is advisable for the assessors to review their assessments to ensure they accurately reflect each parcel's condition. Clean-up costs may deter the town from acquiring these properties as well. Additionally, the list appears to include properties that could be designated as "Land of Low Value" and eligible for foreclosure outside of land court. Further, as mentioned in our assessing recommendation, there remain tax title properties whose original parcels can no longer be located and may be eligible for abatements under M.G.L. c. 58, §8.

The Commissioner of Revenue has already authorized some "owners unknown" assessments. These should be reviewed to see if they are accessible and developable (as opposed to landlocked). Either way, the town could decide to bring them to land court to see if they may appeal to abutters in an effort to return these properties to the tax rolls. Further, it is our understanding that a third-party firm previously approached the town offering to purchase some tax liens. This may be an option to reconsider as part of an overall tax title plan.

We recommend the board of selectmen charge the town counsel to meet with the treasurer/collector and assistant assessor to make decisions on the best course of action to address the tax title backlog. These meetings could also include the town's tax title attorney. In preparation, we suggest the treasurer/collector organize the accounts in a spreadsheet into groups, such as the ones mentioned above.

As general guidance for sustaining a program for addressing tax titles, we encourage the treasurer/collector to do the following on an annual basis:

- Consolidate multiple parcels under single ownership to address them together, either in Land Court or during negotiations for partial payment agreements.
- Fast-track land of low value properties toward auction outside of Land Court proceedings. For calendar year 2015, a vacant or improved tax title property must have a current assessed value less than \$20,920 to qualify. The figure for next year should be available by March of 2016 on the DLS webpage of [Informational Guideline Releases](#).
- Investigate properties with bad addresses and/or deceased owners to try to identify and contact the legal owners or persons in possession. For owners that cannot be identified or found, petition the Commissioner of Revenue under [M.G.L. c. 59, §11](#) for the authority to assess taxes either to owners unknown or to persons in possession.

- Review existing payment agreements to verify if they are being paid in sufficient amounts to discharge the outstanding tax balances within reasonable time. If not, restructure or void the agreements and initiate foreclosure proceedings.

Establish a Tax Title Revolving Account

A new law effective since December 2014 allows communities to establish a tax title revolving fund to support the tax enforcement program. To create the fund, the town must locally accept [M.G.L. c. 60, §15B](#) and adopt a related bylaw. Subsequently, all the fees, charges, and costs incurred and collected upon the redemption of tax titles and the sale of real properties acquired through foreclosures of tax titles would be deposited to the fund and expended for the tax title and foreclosure processes. All interest earned in the revolving fund must be directed to general fund revenue, however.

To reduce tax title accounts and collect any portion of the outstanding taxes owed will require the combined commitment of the treasurer/collector, board of selectmen, and town meeting. A well-thought-out and adequately funded action plan can help maximize collections and convince current and potential delinquent taxpayers of the town's seriousness in the collection of taxes.

13. Revise Deputy Collector Procedures

We recommend that the treasurer/collector establish a town bank account for deposit of all amounts collected by the deputy collector, Kelley & Ryan Associates, Inc. Under current practice, Kelley & Ryan deposits collections into a company bank account. Then once a week, a Kelley & Ryan representative delivers a check written on that account (minus the company's fees) to the treasurer/collector's office along with a summary of payers and fee invoice.

According to state law, all notices that Kelley & Ryan sends seeking payments from delinquents in its capacity as Millville's deputy collector must state that the town, not Kelley & Ryan, is the check payee. Further, a deputy collector may not deposit municipal funds in a personal bank account nor maintain a personal bank account in a community's name. We therefore advise the treasurer/collector to revise procedures to have the deputy collector deposit all of its collections into a town-controlled bank account opened specifically for that purpose. We also recommend the treasurer/collector process the deputy collector fees through the standard warrant process. Financial controls are strongest when the deputy collector submits detailed bills to be paid through the vendor warrant process with the appropriate checks by the treasurer/collector. Further guidance can be found in IGR 20-219 on the [Informational Guideline Releases](#) webpage.

Appendix

GOVERNMENT STRUCTURE IN COMPARABLE COMMUNITIES

Municipality	County	2013 Pop	2015 Avg SF Tax Bill	2011 Per Capita Income	2012 Per Capita EQV	Total Budget	Free Cash on 7/1/2014	FY14 Stabilization Fund	Number of Selectmen	Administration
Ashby	Middlesex	3,161	3,925	27,356	97,287	7,063,981	296,673	748,000	Three	Town Administrator
Bernardston	Franklin	2,123	3,827	24,937	106,721	4,877,579	0	317,455	Three	Town Coordinator
Cheshire	Berkshire	3,192	2,407	25,094	96,497	5,360,363	235,630	451,983	Three	Town Administrator
East Brookfield	Worcester	2,183	3,422	27,180	105,292	4,854,653	231,643	1,722,845	Three	Secretary
Hardwick	Worcester	2,997	3,112	13,912	82,256	5,192,168	123,652	258,571	Three	Town Administrator
Holland	Hampden	2,495	3,166	26,835	130,117	6,694,360	0	349,639	Three	Executive Secretary
Huntington	Hampshire	2,168	3,306	27,945	95,159	4,726,814	24,513	982,079	Three	Administrative Assistant
West Brookfield	Worcester	3,759	3,034	30,031	97,446	7,331,243	597,362	1,678,814	Three	Executive Secretary
Millville	Worcester	3,210	4,065	27,283	92,789	5,781,020	416,465	271,635	Five	Executive Secretary
	AVERAGES	2,810	3,363	25,619	100,396	5,764,687	213,993	753,447		

Note: Determining a set of peer communities is more challenging for Millville than some other towns, mainly because it is very small compared to its closest neighbors.

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Helen Coffin, Executive Secretary

Richard Crivello, Chair, Finance Committee

Marilyn Mathieu, former Town Accountant

James Shanahan, current Town Accountant

Lisa LaRue, Treasurer/Collector

Marcia Ferro, Assistant Collector

Natalia Alward, Assistant Assessor