Massachusetts Department of Revenue

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Town of Warwick

Financial Management Review

Division of Local Services / Technical Assistance Section

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INTRODUCTION

At the request of the Warwick Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review of the town.

We have based our findings and recommendations on site visits by staff members of the Municipal Data Management & Technical Assistance Bureau (MDM/TAB), the Bureau of Accounts (BOA), and the Bureau of Local Assessment (BLA). During these visits, the staff interviewed the selectmen, town coordinator, a finance committee member, accountant, assessors, tax collector, town clerk, and treasurer, and other municipal office staff.

DLS staff examined such documents as the tax rate recapitulation sheet, annual budgets, audits, cash and receivables reconciliation reports, and statements of indebtedness. The town also provided us with warrants, debt schedules, town bylaws, various job descriptions, and other assorted financial documents.

The purpose of this review is to assist Warwick officials as they evaluate the town's financial management. In reviewing the existing financial management, we have focused on: (1) the town government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; (3) the performance of financial operations in such a way as to maximize resources and minimize costs.

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

EXECUTIVE SUMMARY

Warwick is a rural town in the former Franklin County. Warwick has a population of 764 persons (2006 US Census) and a land area of 37 square miles, over 55 percent of which is state owned. While the town has a small woodworking shop, a defunct general store building, and about 110 properties in chapter land purposes (e.g., M.G.L. c. 61forestry, c. 61A agriculture/horticulture, or c. 61B recreation), Warwick is predominantly a residential community. The community is part of a regional school district, there is a volunteer fire department and, with the exception of the four full-time public works employees, the few officials and staff are part-time.

Since 1990, Warwick's single-family residential development has grown from 310 (FY90) to 341 (FY08) parcels, an increase of 31 or 10 percent. As a result of this growth, the town's population grew slightly from 740 (1990 US Census) persons to an estimated 764 (2006 US Census) persons, an increase of 24 people or about 3.2 percent.

Despite minimal growth, part-time staff, and limited services, the town's operating expenses have increased. Over the last decade, Warwick's budget increased nearly 70 percent from \$1.091 million (FY98) to \$1.848 million (FY08). The town's largest area of expenditure is education costs, which total over \$1 million, or 54.5 percent, of the budget in FY08. Another rapidly growing spending category for Warwick is non-debt service fixed costs that include retirement, insurance, and active employee benefits.

The annual budget is funded by four general sources of revenue—tax levy, state aid, local receipts, and reserves. Because Warwick is a member of a fully regionalized school district, the community does not receive school aid (Chapter 70) directly, but receives non-education state funding (e.g., lottery aid, additional assistance, and state owned land reimbursements) that contributes about 15 percent of Warwick's estimated revenues. Generally, local receipts (e.g., motor vehicle excise, permits, licenses, and interest income) and reserves (e.g., stabilization fund and free cash) each comprise about six percent of the town's projected funding, leaving the lion's share, 73 percent, to be covered with property tax revenues.

Given limited resources and heavy reliance on the residential taxpayer, any increased or unanticipated costs can be devastating to such a small town. Therefore, Warwick officials generally propose annual budgets that minimize property tax increases. They pursue grant funding and community volunteer projects whenever possible to augment traditional means of financial support, and more importantly, look to initiatives that would result in potential long-term savings or improvements for the town.

In recent years, two areas of escalating expenditures Warwick officials had to grapple with were health insurance and energy costs. Even though Warwick never adopted the state provision to provide health benefits to its retirees, the community's insurance costs for its small number of active employees had increased substantially, following a national trend. In an effort to stem this growing cost, the selectmen voted to eliminate health benefits for elected officials. Similarly, the town conducted energy efficiency audits, which identified changes in practice (e.g., lighting and heating)

and one-time expenditures (e.g., window replacements) that could reduce Warwick's operating costs. Most have been implemented through volunteer workforce contributions.

The town's initiatives have not been limited to cost cutting measures, but also include changes in the way Warwick conducts business. Historically, Warwick has been a semiannual tax billing community and generally set its tax rate timely. However, sometimes the process has been delayed because of late required town meeting action, which resulted in unanticipated short-term revenue borrowing costs. This was the case in FY06 (about \$2,600) and FY07 (over \$7,000). One way to improve a community's cash flow prior to setting the property tax rate is to adopt the quarterly tax billing option, which officials felt would not be cost effective for Warwick given its small size and limited staffing. Instead, Warwick adopted the new annual preliminary, semiannual payment system provision (M.G.L. c. 59, §57C) beginning in FY08. This statute allows the tax collector to issue preliminary first half bills by July 1 that are due October 1 (and bills issued after August 1 are due November 1). The actual, second-half bills issued before December 31 are payable April 1, or May 1 if the bills are issued after January 1.

In another break from historical practice, the town voted to make the tax collector and treasurer positions appointed (M.G.L. c. 41, §1B). The selectmen appointed two individuals to these positions and the transition has gone well. However, during FY07, two additional vacancies occurred when the town coordinator and accountant resigned in the spring. While the accountant was replaced before the end of the fiscal year, the coordinator was not replaced until December. In the interim, the selectmen shared the daily responsibilities of the office.

As a result of these factors, the selectmen requested that the Division of Local Services (DLS) conduct a comprehensive review of the town's financial offices to provide an objective assessment of current operations and help identify potential improvements. The recommendations in this report are based on best management practices that comply with state laws and regulations. They are designed to encourage checks and balances, accountability, and increased efficiencies in the town's financial operations. Chief among these is the need to establish an operating plan with goals and objectives that identify expectations of officials and which may be accomplished within the community's fiscal resources and available staffing. With a clearly defined focus, increased coordination, and good practices in place, Warwick will be able to plan for the future and position itself for whatever lies ahead.

REPORT RECOMMENDATIONS

Overall Financial Management & Budgeting	
	Establish employee goals and objectives annually5
2.	Expand the coordinator's supervisory role
3.	Handle transfer station receipts properly
4.	
	Create a capital planning committee
	Establish multi-year forecasting
7.	Combine tax conector & treasurer offices
MUNICIPAL I	NFORMATION SYSTEMS
8.	Establish a central database or log10
	Expand the website
10	0. Develop user information guidelines and policies
ACCOUNTANT	'S OFFICE
11	. Notify accountant of departmental receipts
12	2. Prepare revenue reports
13	. Maintain small asset inventory
TAX COLLECT	TOR'S OFFICE
14	Pursue new tax title takings
	5. Provide public information requests
TREASURER'S	OFFICE
16	5. Customize departmental receipt reports
17	'. Pursue foreclosure options
Assessing C)FFICE
18	3. Conduct sales inspections
	9. Seek permission to assess to owners unknown
). Place assessors' property data on internet

OVERALL FINANCIAL MANAGEMENT & BUDGETING

During the course of our review, we looked at the overall financial management in the town, including its governmental structure, bylaws, the budget and financial practices, and personnel procedures and policies. What follows is a summary of our observations and recommendations.

Warwick does not have a charter. Its government is organized under a combination of state statutes, special acts, and local by-laws. State statutes generally provide allowable methods of governance and often offer guidance on minimum requirements, while special acts and by-laws enable a community to establish specific authority and procedures by which it operates.

Warwick's by-laws are divided into eight sections: town meeting, elected officials, selectmen's appointments, moderator's appointments, personnel issues, public ways, environmental matters, and town property. The elected offices that oversee departments or specific operations include the assessors, board of health, cemetery commission, constables, moderator, regional school committee, selectmen, town clerk, tree warden, and library trustees. With the exception of the finance committee and planning board that are selected by the moderator, all other officials, boards, and committees are appointed by and report to the selectmen, Warwick's chief executive officers. All elected and appointed positions are codified in the bylaws, which clearly identify the number of members, term, and responsibilities.

Because the selectmen are a part-time board, Warwick has a town coordinator's position. The current coordinator, appointed in December 2007, is responsible for the daily operations of town government, which includes communicating with committees, boards, and local/state agencies; overseeing the scheduling of town hall space; and serving as the chief procurement officer. He supervises the town secretary, custodian, and volunteers. All other employees, including the tax collector and the treasurer, report to the selectmen, two of whom are retired and are available to handle departmental matters. The coordinator also researches and provides planning and policy development assistance to the selectmen. However, this work can be time consuming and overwhelming if many issues or projects are initiated and not prioritized or balanced with other activities of the offices. In addition, the coordinator assists in the budget and capital planning process.

The annual budget process begins in late fall when the town coordinator distributes a spending request form and cover memo to all departments and boards. The town coordinator provides assistance to departments and boards preparing a request and collects the submissions. The coordinator then works with the finance committee reviewing requests, holding hearings, developing revenue projections, and preparing a balanced budget proposal, which generally is agreed to by the selectmen and submitted to town meeting for approval.

However, the budget process has not been as smooth as officials would have hoped over the last few years. Three years ago, the finance committee experienced a complete turn over of its fivemember board. New members with limited experience were not familiar with budget development intricacies, and were assisted by one of the town's assessors. Moving forward, the finance committee has struggled to prepare a balanced budget and has been forced to place the burden of escalating costs on the residential taxpayer. As for future financial planning and building improvement/equipment needs, there is no revenue and expenditure forecasting and capital requests are handled on an ad-hoc basis, when resources are available.

One budget of particular note is the transfer station. As a general fund operation, its expenditures are appropriated in the public works and facilities budget, yet all sticker revenue and disposal fees generated by this operation, roughly \$15,000 annually, are deposited to a landfill receipts special fund (M.G.L. c. 44, §28C(f)). The original diversion of these receipts from the general fund was to ensure adequate resources were available to cover the \$150,000 landfill capping debt. Because this debt was retired in FY06, town meeting now appropriates funds from this reserve to reduce the general fund support of the transfer station, which includes ongoing landfill closure monitoring costs of about \$4,000 annually. In DOR's opinion, M.G.L. c. 44, §28C(f) enables the community to divert only that portion of the landfill revenues that are dedicated to closure and clean-up costs. All other transfer station revenues should be deposited to the general fund, which would be handled as an estimated receipt and used to support the town's operating budget.

RECOMMENDATION 1: ESTABLISH EMPLOYEE GOALS AND OBJECTIVES ANNUALLY

We recommend that the selectmen annually develop goals and objectives for all staff. The town is implementing a performance review process for all non-elected staff, in compliance with the town's personnel policy and procedures. Written goals and objectives will help establish the expectations and performance criteria by which a staff member's job is evaluated. Periodically during the year, a supervisor would review established goals and objectives and provide feedback on an individual's performance to date. This will help mitigate any ambiguity with regard to job responsibilities and expectations as well as provide guidance on balancing the primary day-to-day duties with other tasks that may come up. It will also provide a record if poor performance should ever require focused training and/or progressive discipline.

RECOMMENDATION 2: EXPAND THE COORDINATOR'S SUPERVISORY ROLE

We recommend that the town coordinator be responsible for supervising department heads. As the individual who is responsible for the daily operations of town government and works in town hall, the coordinator should be delegated the responsibility of supervising all non-elected staff. This will enable him to monitor operational and fiscal activities, facilitate communication among the offices, and keep the selectmen fully informed. To implement this recommendation, the selectmen would in a formal vote, delegate their authority to oversee specific staff to the coordinator.

RECOMMENDATION 3: HANDLE TRANSFER STATION RECEIPTS PROPERLY

We recommend that the town credit only that portion of sticker revenue and disposal fees necessary to cover the landfill clean-up and closure costs to the special revenue fund and credit the balance of the receipts to the general fund. This will enable the town to provide for future closurerelated expenditures and comply with state laws.

Alternatively, the town meeting could adopt enterprise accounting (M.G.L. c. 44, §53F¹/₂) for its solid waste operation. Enterprise fund accounting enables the town to account for all revenues and expenditures of a service in a consolidated fund, which may be subsidized by the general fund. It enables the town to identify all direct, indirect, and capital costs of providing the service and to demonstrate the true cost of an operation, providing information necessary to establish user fees. More importantly, the community would retain any surplus (certified by the Director of Accounts) in the fund that would be used to fund operating, capital or debt service costs associated with the specific fund's service. Establishing an enterprise does not create a separate or autonomous entity from the municipal operation. The municipal department operating the enterprise service continues to fulfill financial and managerial reporting requirements like every other department and the enterprise budget is still subject to the appropriation process.

RECOMMENDATION 4: IMPROVE THE BUDGET PROCESS

<u>We recommend that the town establish a formal budget process</u>. The budget is a key element of municipal finance, and is the means by which decisions on the allocation of scarce resources are made. Incorporating an outline of the roles and responsibilities of individuals involved, a clearly defined budget process begins with projections of revenues and fixed costs and follows a formal calendar specifying when milestone events will occur.

- **Budget Calendar** As a means to guide the budget process, the town coordinator should establish a formal budget calendar that begins in the fall, with a deadline for the upcoming fiscal year revenue projections, and ends with finance committee hearings and final changes before presentation at town meeting. To establish a budget calendar, we recommend working backwards from the annual town meeting with consideration for when each event will occur.
- **Participant Roles** The town coordinator should be responsible for the mechanics of the annual budget process. His role should, at a minimum, include preparing, distributing, and collecting budget materials, assisting departments in preparing requests, conducting financial analyses for policymakers, and generally smoothing the process. The selectmen and finance committee would focus on larger budgetary issues and on advancing overall town goals. Throughout the budget process, communication among the town coordinator, the selectmen, and the finance committee would be ongoing. Discussions would typically involve adjustments to revenue projections, compliance with pre-established fiscal policies, re-ordering of priorities, use of reserves, and any deviations from agreed upon guidelines.
- **Preliminary Revenue/Fixed Cost Projections** Because of the limitations of Proposition 2½, the budget process should begin with initial projections of revenues. They should be conservative, based on an analysis of the town's past and current collections and any known or

proposed changes (e.g., level-funded state aid and debt exclusions) that will affect the town revenues. Estimates of fixed costs (e.g., health insurance, retirement costs, and debt service) should also be prepared. The combined revenue and fixed cost estimates will provide an indication of how much money is available to fund operating budgets in the coming fiscal year.

• **Budget Guidelines** – Based on the amount available for operations, the selectmen and the finance committee should jointly develop budgetary guidelines for departmental requests. These guidelines should provide parameters that assist departments when preparing requests, which will be compatible with the town's overall financial goals.

We also recommend that the town establish a financial management team through the adoption of a by-law. The financial management team should include at least the town coordinator, accountant, tax collector, treasurer, and an assessor and should meet on a regular basis throughout the year. The financial team would assist the town coordinator, who would serve as chair, in the budget process. The team would help develop revenue estimates, ensuring they are reliable and updated periodically as new information becomes available. The team would ensure that all of the department heads understand the budget process and are able to provide accurate spending projections.

Beyond the budget process, the financial management team would assist the town coordinator in compiling and presenting comprehensive financial information to the town's policymakers on topics such as the prior year's performance, year-to-date activities, and issues as they come up. Collectively, this committee should review financial documents (e.g., revenue and expenditure reports, balance sheet, audits, and tax recapitulation sheet) for completeness and accuracy. This information will provide a comprehensive picture of the town's financial health at any point in time.

In addition, the financial team would ensure institutional continuity if one officer leaves. The team's participation in general financial and budget activities will ensure that more than one person knows all facets that need to be gathered, analyzed, and monitored continually.

RECOMMENDATION 5: CREATE A CAPITAL PLANNING COMMITTEE

<u>We recommend that the town create a capital planning committee</u>. The town would create this committee by bylaw (M.G.L. c. 41, §106B). The size of the committee should be reasonable to ensure a quorum is attainable. Its members could be drawn from the ranks of current staff, elected officials, or from the general public.

The capital planning committee should develop a multi-year capital plan for all town departments (see the Department of Revenue's workbook: "Developing a Capital Improvement Plan"). These documents should (1) prioritize the various proposed capital projects; (2) estimate project costs; and (3) list the proposed method of payment (current revenue, debt or debt excluded from the limits of Proposition 2¹/₂) for each project. Regardless of funding ability, annual presentation of a capital budget to town meeting has merit. It serves to inform citizens of the community's capital needs and makes them aware of essential capital needs that may be deferred due to financial constraints.

RECOMMENDATION 6: ESTABLISH MULTI-YEAR FORECASTING

<u>We recommend that the town develop a multi-year revenue and expenditure forecast</u>. With assistance from the town's financial officers, the town coordinator should produce a forecast for all operating funds. The forecast should span between three and five years and be updated routinely as new information becomes available. Forecasting used in conjunction with the town's capital plan will enable officials to evaluate budget requests with multi-year impacts, identify programs that may not be funded or capital requests that will have to be deferred, and develop long-range financial plans. DOR has developed and made available on its website a <u>revenue and expenditure forecasting application</u> to help municipalities.

RECOMMENDATION 7: COMBINE TAX COLLECTOR & TREASURER OFFICES

<u>We recommend that the town combine the offices of treasurer and tax collector and establish</u> <u>the positions treasurer/collector and assistant treasurer/collector</u>. Until recently, when the collector appointed a volunteer to assist him, the treasurer and tax collector worked alone with no one available who could respond to inquiries or perform the responsibilities of the office in their absence. Because there are so many parallels in responsibilities (e.g., collecting, counting, posting, depositing, and reconciling receipts) of these offices, increasingly communities are combining the collector's and treasurer's operations to improve cash management and to gain efficiencies. For Warwick, this consolidation of responsibilities and staff could be accomplished through a special act of the legislature or the adoption of a home-rule charter (see City and Town Charters - Adoption, Revision and Amendments</u>). Consolidating these offices would provide better coverage and make organizational sense for such a small community.

MUNICIPAL INFORMATION SYSTEMS

Warwick does not have a formal computer services department. Generally, departments with computerized systems purchase and operate them independently, while others maintain manual recordkeeping systems. The town uses an outside vendor for hardware problems when they occur.

Currently, Warwick does not have cable and cellular service because of the distance between homes and the lack of wireless infrastructure in the region. By virtue of a grant, town hall offices have wireless capabilities and had a T1 line for Internet use. However, when the funds ran out, the T1 was disabled and the Internet is now accessed at town hall via the library's satellite dish. Warwick has a committee that is exploring the possibilities of getting the town reconnected via broadband services as an alternative to satellite service.

The new town coordinator has been working with departments to review what systems (e.g., hardware, software applications, Internet access, virus protection and back-up procedures) exist and to identify potential improvements. For example, the accountant's computer was unable to access the Internet, preventing her from getting information broadcasts from and filing required documentation with the Department of Revenue. The town coordinator attempted to help but was unsuccessful because, in part, the central processing unit (CPU) was older. It has since been replaced. However, because there is no central log on the set-up and status of the various offices' systems, the town coordinator unknowingly disconnected the local area network between the accountant's and treasurer's machines, rendering both useless for a brief period.

The town offices have access to Microsoft Office applications as well as the Internet and e-mail services, for which the community does not have user policies. The accountant and tax collector use the same financial software system, Muniware. The treasurer uses Quickbooks to process payroll, Muniware to print payroll and vendor checks, and keeps the cash book in a series of Excel spreadsheets. The assessing office uses the Community Software Consortium (CSC) computer assisted mass appraisal (CAMA) application. All departments with a computer have access to the Internet, but not all have up-to-date virus protection, which the town coordinator also is addressing.

To keep residents informed, Warwick has a monthly newsletter (sponsored by the Congregational Church) and an on-line discussion group, Warwick-L. The town also has a website, <u>www.warwickma.org</u>, which is owned by the community, but developed and maintained by a volunteer citizen. This website provides departmental listings, contact names, hours and telephone numbers; some committee meeting schedules, agendas, minutes, and reports; community links; news and announcements; and historical information. However, useful resources and references (e.g., town bylaws, applications and forms, and assessors' property database) are not provided and some department information is out-of-date. In the absence of useful or complete information, users are directed to call or visit town hall offices for assistance during the limited public access hours.

9

RECOMMENDATION 8: ESTABLISH A CENTRAL DATABASE OR LOG

We recommend that the town develop a central database or log of the hardware and software systems, local networks and shared files, and all user support issues. Developing a central technologyrelated repository will provide useful information and guidance as new systems and applications are acquired, problems arise, and/or staff turnover occur. Having made contact with the various offices on what currently exists, the coordinator should serve as the point person in charge of keeping this central database or log.

RECOMMENDATION 9: EXPAND THE WEBSITE

<u>We recommend that Warwick expand its Internet website</u>. A comprehensive, up-to-date, and accurate website would help generate public awareness and confidence in government. In other communities, user-friendly and informative websites have proven successful in reducing the amount time that town employees spend fielding questions in person or on the phone. Helpful information that can be added to the website includes the town's budget and financial statements, department forms and applications, and staff or committee contact e-mail addresses.

RECOMMENDATION 10: DEVELOP USER INFORMATION GUIDELINES & POLICIES

<u>We recommend the town establish operating policies for all users</u>. In the absence of a network, each user should perform a backup of the central processing unit hard drive (typically the "C" drive) and update virus protection applications routinely. The town should develop instructions on how often these procedures should be performed and where the backup information should be stored.

We recommend that the town establish electronic mail and Internet policies. It is advisable to develop a written guideline outlining the proper and allowable use of Internet and electronic mail applications. The town could contact their counterparts in other communities that have established these written policies for examples.

ACCOUNTANT'S OFFICE

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

In Warwick, this office is funded for a part-time accountant, who works one day per week. Since 2005, when an accountant that served a number of years resigned, there has been significant turnover in the position. The current accountant was appointed for one year. At the end of FY06, the selectmen did not reappoint her and hired another accountant, who lasted about five months. After a vacancy of a few months (when a consultant was hired to handle the accountant's office work), the selectmen rehired the current accountant. Upon taking the office in April 2007, she found her predecessor prepared the town's warrants during her brief tenure, but did not post them after the selectmen approved them and also failed to enter town receipts into the Muniware Software. Consequently, the general ledger was not current. Therefore, in addition to the current workload, the accountant had a backlog of work to accomplish. She completed the work and closed the FY07 books in December 2007.

When a department receives funds, it prepares a turnover report for the treasurer with a copy to the accountant. Monthly, the treasurer compiles the receipts and prepares a report for the accountant. The accountant reconciles departmental turnover reports with the treasurer's compilation and then enters the departmental receipts to the Muniware Software. Frequently, the accountant finds departmental receipts included in the treasurer's report that were not reported directly by the department. After each incident, the accountant has contacted the department, reminding them that they must file a copy of the turnover with her.

Throughout the year, the accountant prepares internal and external reports. Internally, she prepares monthly expenditure reports for departments (M.G.L. c. 41, §58) and a complete set of reports for the town coordinator and finance committee during the budget process. The accountant also reconciles cash with the treasurer monthly and receivables with the tax collector annually. The accountant does not prepare revenue reports. A revenue report is another helpful management tool that should show budget to actual revenues. It is essential that town officials have access to timely financial information in order to make informed decisions regarding town finances.

Among the external reports, the accountant prepares the Schedule A, a year-end fiscal statement of revenues and expenditures, and she produces the balance sheet (and supporting documentation) that is used to certify free cash for DLS. Due on or before October 31, Warwick's Schedule A generally is filed after the deadline, but never late enough to impact the timely distribution of the town's third-quarter state aid. Warwick's submission of the balance sheet generally is done in late fall or early spring, depending on the time it takes for the part-time accountant to close the town's books.

Because of the small size of the community, Warwick has an independent audit performed generally biannually at a cost of about \$9,000, which reflects the additional time and effort that is required to verify the accuracy of ending balances of both years. An audit is an independent examination of a municipality's financial systems, procedures, transactions, and account balances that determines whether a town's financial statements are "fairly presented." Within these financial statements, the accounting and reporting of the community's capital assets and infrastructure should be disclosed. Warwick maintains a spreadsheet to account for its larger assets that are capitalized on the community's financial statements. However, an inventory of the small assets, which tracks additions, disposals and obsolescence each year, is not maintained and was the source of a management comment in the FY06 audit.

RECOMMENDATION 10: NOTIFY ACCOUNTANT OF DEPARTMENTAL RECEIPTS

We recommend that all departments copy the accountant on all receipt payments to the treasurer. The selectmen should instruct all departments to provide a copy of each turn over report to the accountant, which is used to verify the schedule of treasurer's receipts.

RECOMMENDATION 11: PREPARE REVENUE REPORTS

DOR recommends that the accountant prepare monthly revenue reports. While the information is not legally required, it can provide useful management information for the town's policymakers. These reports provide essential information to monitor the financial performance of the town, to analyze the underlying causes of any shortfalls, excesses and one-time receipts, and to project revenues upon which the ensuing year's proposed spending plan is based.

RECOMMENDATION 12: MAINTAIN SMALL ASSET INVENTORY

DOR recommends that the town maintain an inventory of its small assets by department or location. Annually, the accountant would update this inventory with new acquisitions purchased through the warrant process. At year's end, when encumbrance request reminders are handed out, the accountant also should distribute a listing of assets to the appropriate departments. Each department head would confirm the existence of listed items, provide an explanation of the method and reason for disposal, and return a signed report to the accountant to update and confirm the town's asset inventory.

TAX COLLECTOR'S OFFICE

The office is responsible for collecting all taxes, excises, betterments and special assessments that are committed. Currently, the tax collector's office processes approximately 700 property tax bills semiannually and 1,000 motor vehicle excise bills annually. In addition, this office generally prepares about 100 municipal lien certificates annually.

The office is budgeted for a part-time tax collector, who works 20 hours per week, but the office is open to the public only four hours each week. This enables the tax collector to work uninterrupted, processing payments, making deposits, preparing reports, and handling other administrative activities. A part-time assistant tax collector's position was created in FY08 to provide coverage when the tax collector was out of the office. The assistant's position is filled by a volunteer at no cost to the town. Because this individual handles payments, the assistant tax collector was bonded at DOR suggestion.

The tax collector prints the property tax bills in-house. These bills are mailed to the owner of record or directly to a mortgage company by request. Any tax service company with an escrow account for a Warwick property that did not receive a bill must visit town hall because no tax information is released over the telephone and a duplicate bill may be printed off the Muniware System. When an inquiry for tax information is not made in person, the tax collector requires a municipal lien certificate be requested.

The collector's office receives property tax and excise by escrow service, mail, and at the counter. All payments are posted upon receipt and the funds are deposited into a collector's bank account. Weekly, the collector prepares a turnover for the treasurer that includes a report.

Once a real estate tax bill becomes past due, the collector issues a demand notice. If the demand notice does not result in payment, the collector contacts the property owner by phone and in writing, which generally results in payments for all except a few parcels.

When the tax collector took office in 2002, he inherited a fair amount of delinquent accounts. As of 6/30/02, outstanding amounts due Warwick were over \$69,000 in real estate taxes, about \$7,000 in personal property taxes, and more than \$19,400 in motor vehicle excise, dating back more than a decade. Based on prior tax collectors' records, he researched and collected most of these delinquent amounts. The tax collector never initiated new tax takings, but placed subsequent taxes into previously established tax title accounts. Based on the available records, it could not be determined who owed some outstanding balances so town meeting appropriated \$458 in May 2007 to extinguish them. As a result, the collector's cumulative outstanding receivables are about \$45,000 and generally date back to FY05. The exception is three real estate parcels for which a living owner is not known and that will require the assistance of the assessors to do a tax taking.

Warwick uses the services of a deputy collector. The deputy collector obtains information from the Registry of Motor Vehicles to print the motor vehicle excise bills, which are delivered to town hall for the collector to stuff and mail. The deputy collector also pursues delinquent motor vehicle excise for Warwick. The town gives the deputy collector a warrant and he completes online license and registration markings for non-renewal status with the Registry of Motor Vehicles. All excise collections are deposited to a town bank account and the deputy collector then prepares weekly turnover reports.

RECOMMENDATION 13: PURSUE NEW TAX TITLE TAKINGS

We recommend that the tax collector initiate new tax title takings soon after the issuance of a demand notice. Under M.G.L. c. 60, §37, the town's tax lien expires 3½ years from the end of the fiscal year for which the taxes were assessed, or upon a recorded sale or transfer of the property, whichever is later. The tax collector has placed subsequent taxes into previously established tax title accounts, an essential step towards securing the town's liens on these properties, but he has not pursued new takings on properties with delinquent amounts for more than one year.

RECOMMENDATION 14: PROVIDE PUBLIC INFORMATION REQUESTS

We recommend that the tax collector provide copies of the tax bills requested by the property mortgage lender and charge a reasonable fee in accordance with the schedule promulgated by the Secretary of State's Office of Public Records. The mandatory disclosure provisions of the Public Records Law apply to information in the custody of a governmental entity at the time the request is received. If a document is open to public inspection, which includes a property tax bill, the custodian must furnish a copy thereof upon payment of the fee.

TREASURER'S OFFICE

The treasurer is responsible for cash management (including the investment, disbursement and borrowing of cash), preparing the town's biweekly payroll, and administration of active employee benefits. The current treasurer has served in Warwick since April 2007. Like the tax collector, the treasurer is appointed by the selectmen and works 20 hours per week, four of which are posted as public hours and the balance of his time is to perform activities uninterrupted.

According to the treasurer, departments turn over revenues when received. These receipts are counted, deposited to the bank, and posted into the cash book daily. The departmental report formats vary. Most are manually filled out, have a brief written description of the revenue source, but do not always have a fund or account code number that clearly identifies the type of receipt received. The treasurer completes a monthly statement of receipts to the accountant, who matches it up to the department reports and posts the revenues to the general ledger.

The treasurer's cash book is the source of original entry for recording receipts and deposits, disbursements summarized by warrant, and the total cash position of the town. A cashbook provides control that enables the treasurer to reconcile with bank statements, cash on hand, and the general ledger balance on a monthly basis. In Warwick, the treasurer enters daily activity and maintains the cash book in Excel. After receiving the monthly bank statements, the treasurer reconciles his accounts and then reconciles with the accountant's general ledger.

Historically, once a property is placed in tax title, it lingers because Warwick has not pursued foreclosure options. Currently, the town has five properties in tax title that it should pursue in Land Court or through land of low value procedures with the Department of Revenue.

RECOMMENDATION 15: CUSTOMIZE DEPARTMENTAL RECEIPT REPORTS

We recommend that the treasurer, in cooperation with the accountant, standardize the departmental turnover reports. For each department, a turnover sheet should be created that clearly lists all the revenues handled by that department or board, including a brief description, operating fund and the revenue account codes. These reports will enable the treasurer and accountant to process the information quickly without having to inquire with a department or board as to the source of the funds.

RECOMMENDATION 16: PURSUE FORECLOSURE OPTIONS

We recommend that the treasurer pursue foreclosure options. By promptly initiating Land Court foreclosure proceedings, the town would demonstrate to taxpayers that it is serious about pursing delinquent amounts. For any properties with a FY08 property value of \$17,870 or less, the treasurer could work with the assessors to pursue land of low value foreclosure through the Department of Revenue, an alternative foreclosure procedure to seeking a decree from Land Court. As a result of either process, the foreclosed parcels can then be auctioned to recover taxes and interest owed, or preserved as town-owned land.

Assessing Office

The assessing office is responsible for determining full and fair cash valuations, classifying all property, assigning tax payments to owners, and generating the commitment authorizing the tax collector to collect property taxes and excise. The assessing office maintains assessment data on approximately 700 real property parcels and personal property accounts and 1,040 motor vehicle excise accounts. In addition, the office processes approximately 30 building permits, 40 deed transfers (20 of which are property sales), 10 (20 in a revaluation year) abatements, and three exemptions annually.

The assessing office is operated by an elected, three-member board of assessors. The board approves the full and fair cash valuations and classification of all property and acts on all abatement and exemption applications. To provide office coverage, one of the board members also serves as the office clerk, working one morning a week. As clerk, she processes exemption and abatement correspondence, data enters deed transfers, handles the motor vehicle excise accounts, and responds to public inquiries. She also visits homes when realtor open houses are advertised, but does not visit a property at the time of sale, relying instead on the town's appraisal consultant to inspect it at a later time.

The town's real property assessment records and personal property accounts are maintained on CSC's CAMA system, which is used to compile analytical reports and property tax commitments. As a part of CSC's services, the town could have a custom website that has an Internet-based public access to property record cards and sales information, tax and zoning maps, board contact information, forms and applications, and frequently asked questions. Increasingly, communities publish non-confidential real property data on the Internet in order to provide information at a user's convenience. Warwick, however, does not use this free service, requiring all who need assessing-related information to visit the office on Wednesday mornings.

To assist the assessors, Warwick uses the services of an appraisal consultant, Roy Bishop. Mr. Bishop performs all data collection, sales and building inspections, and field reviews and he performs triennial revaluations and interim year adjustments for the town. For these professional services, Warwick spends about \$8,000 during a revaluation year and nearly \$1,500 in interim years.

During the course of our project, we found that the assessors annually bill two parcels that are returned to the town as addressee unknown. The owners billed are based on the best available information, which is out of date.

RECOMMENDATION 17: CONDUCT SALES INSPECTIONS

We recommend that the assessors inspect the interior and exterior of all sale properties. Often, a sale property may have been upgraded without a permit or allowed to deteriorate to an extent that the assessors' files do not accurately reflect its true characteristics or condition. A new owner may provide information or describe changes to the property through a sales questionnaire, but that information is not always reliable. Not being aware of the exact condition of properties at the time of

the sale affects the assessors' ability to analyze market data. Teaming up with other departments (e.g., fire department and building inspector) scheduled to visit these properties, because of a pending property sale, would ensure timely, interior inspections for the assessing database. It also will reduce the number of scheduled visits to the same properties.

RECOMMENDATION 18: SEEK PERMISSION TO ASSESS TO OWNERS UNKNOWN

We recommend that the assessors research the ownership of any parcels in question and, if unable to find the current owner, seek the authorization from the Commissioner of Revenue to assess to persons unknown (M.G.L. c. 59, §11). The assessing office should perform a thorough review of its records and deed information to help identify the ownership of the parcels in question. If ownership is determined, the assessors should reassess all years' uncollected taxes to the correct owner. If no owner is found, the assessors will have to request authorization of the Commissioner of Revenue to assess to "owners unknown." The assessors should provide with their request an account of all attempts to determine who the owner is. Once the town receives permission to assess to owners unknown, the assessors should reassess the prior years' taxes that were improperly assessed. With clear authority to assess to owners unknown, the town may obtain title to the property through the foreclosure process.

RECOMMENDATION 19: PLACE ASSESSORS' PROPERTY DATA ON INTERNET

We recommend that the assessors' take advantage of the customized website from CSC. Increasingly, communities put property data as well as abatement and exemption forms and instructions on the Internet so individuals may access them at their convenience. At the same time, posting this information also helps reduce telephone calls and in-person visits to the assessing office. At the discretion of the assessors, all or parts of the public information found on property record cards (e.g., owner name, parcel location, assessed value, construction details, sketch, photo, and ownership history) may be placed on the Internet.

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