

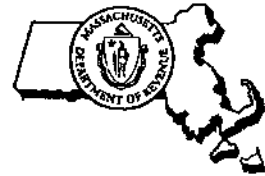


Town of Southampton

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

March 2005



Introduction

At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the Town of Southampton.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen and the finance committee, the executive secretary, town accountant, town clerk, treasurer/collector, chief assessor, as well as other staff members, as available, in each office. Various consultants to the town were also contacted.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records. Other documents reviewed included the DOR "Review of the Assessing Office" (June 1988), State Division of Occupational Safety "Air Quality Report" (February 1999), the MMA Consulting Group "Public Works Feasibility Study" (August 1989), and outside audits for FY01, FY02 and FY03 completed by Hirbour & Haynes, P.C.

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

We encourage the members of the board and others, 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 town boards, committees and officials.

Executive Summary

The State Division of Local Services (DLS) conducts financial management reviews as an independent, objective observer of city and town practices and procedures. Our goal is to encourage and assist local officials, town hall staff and residents to better understand the statutory and regulatory requirements placed on municipalities. Our recommendations are presented, and intended, as constructive statements on how financial operations can improve and how organizational structure can impact a municipality's ability to meet increasingly complex demands.

The start of a report typically follows a written request from the board of selectmen for a management review. In rare circumstances, our presence is compelled because of persistently deficient financial practices, neglect of fiscal controls, or blatant violations of law. This Southampton report is not one of those occasions. While an early meeting between DLS and town officials centered around assessing department issues, this review involves the broader scope of town-wide operations.

Accordingly, in terms of the day-to-day administration of town business, it is the conclusion of this report that town finance officers and staff understand and fulfill the requirements of their respective positions. Property values and taxes are set in a fair and equitable manner. The town's receipts are systematically collected, posted, deposited quickly and are appropriately accounted for. Cash flow is monitored and town bills are paid on time. The critical checks and balances inherent in the vendor and payroll warrant process, and accomplished through reconciliations of cash and receivables are occurring.

Still, opportunities for improvement do exist and are addressed by our recommendations for the treasurer/collector, the accountant and the assessors. Included are comments on tax collections and procurement as specifically requested by the selectmen. Per the board's further request, we examined new growth and concluded that appropriate procedures are now in place to develop a reliable annual estimate.

In other recommendations, we encourage the town leaders to direct more attention to the development and advancement of town hall technology. We urge stronger leadership and sound judgment by the remaining assessing board members as they once again look to reorganize the department. In general, we advocate measures in various offices which are designed to make record keeping more effective and efficient.

These recommendations can, in most instances, be achieved through the initiative of department managers. Greater challenges, however, face town leaders and, ultimately, residents.

An inescapable overlay to the comments and recommendations of this report is the effect on operations of constrained space and poor physical condition of town hall. Together with persistent air quality questions, these contribute to a substandard working environment for employees.

Concerns were first raised in 1998 which prompted an air quality survey by the State Division of Occupational Safety. The town's corrective action in response to the report seems to have resulted in marginal improvement. The lack of space, especially in the assessors' office, allows no privacy for town employees and none for residents on visits to town hall to discuss matters they regard as sensitive or private. The town can expect that the deteriorating building condition will cause increasing repair and maintenance costs, and should know that the building's unappealing quality already carries a cost of a different sort. Staff are less productive. Space is less functional. The town's ability to attract and retain qualified and competent employees is severely hampered.

The purpose of our recommendation in this regard is to add a voice to those who recognize the need to formulate a plan to locate a proper home for town government. Earlier initiatives to explore the potential of renovating and re-occupying both the current town hall and the Larrabee School for government purposes continue to offer promise and should be pursued. However, outside of major rehabilitation work, it is difficult to envision how the infusion of money into either building for ad hoc improvements can be cost effective. An acknowledgement of the problem and a more determined effort to resolve it are needed.

In much the same way, our remaining recommendations can be viewed as a call for action. Collectively they reflect steps that municipalities throughout Massachusetts are taking to create fiscal stability and to set the tone for government during these times of budgetary duress. Although Southamptton has approached success in some of these areas, as a whole, efforts have fallen short.

For instance, the town has a five year capital improvement plan, but it was last updated in 2002, and due to the lack of funding the capital improvement committee is now dormant. The selectmen adopted a procurement policy in 2002, but failed to appoint a chief procurement officer who would enforce it. Lacking attention, the policy is now outdated, inconsistent with state law and unclear to those who would follow it. Other recommendations involving performance evaluations, finance committee transfers and the use of free cash in general, represent new directions for the town.

Finally, the finance committee has advocated the same type of reserve policies we recommend in this report, but with tight budgets, the pressure to "spend all that the town has" prevails. This includes a short-sighted practice of consuming free cash as quickly as possible, rather than more prudently managing its use. We could accept this fiscal approach, if when reserves are exhausted the town would provide the additional funds necessary to sustain government operations. Instead, the town last passed an override (for schools and public safety) in 1991, and has rejected 19 individual override requests since that time. The last debt exclusion to receive approval was in 1995 for the public library.

Even if there is universal agreement that all these measures are worthy of pursuit, there is no management structure in place to initiate and follow-through on decisions to act. Under town government as it is currently organized, this burden falls primarily to the selectmen, but the

design of Massachusetts town meeting/board of selectmen government never intended that selectmen engage in the day-to-day management of town departments. This was also at a time when government was simple, when elected and appointed officials could fulfill their responsibilities working part-time with little need for guidance or management.

The role of the board of selectmen today is to function as the primary policy making body for the town. Even in this regard, the history of Southampton seems to be one more characterized by passive, rather than active, leadership. Evidence is in the lack of commitment to financial policies, the absence of long-term planning, and the apparent disregard of town hall conditions. Most telling is the communication gap that exists between the board and town workers, and the leadership vacuum that is felt in town hall.

By most accounts, the present board of selectmen appears more willing than its predecessors to bring attention to and act on issues that impact the direction of town government. We applaud their willingness in this regard, but it is not enough. Throughout Massachusetts towns of all sizes are slowly recognizing that part-time, elected boards, whether the selectmen, assessors, board of health, etc. are ill-prepared to deal with the full-time administrative demands of running the multi-million dollar enterprise which local governments have become.

The trend toward centralized management and line authority is clear. Based on information contained in the 2004-05 Massachusetts Municipal Association directory, 35 of 59 towns with population between 4,000 and 8,000 currently have a town administrator or town manager. Annual receipts for these communities range between \$5.7 million and \$33.2 million. The estimated Southampton population is 5,700 and annual receipts for FY04 were \$12.0 million.

In this context, we recommend that Southampton engage the services of a professional town administrator to oversee and guide all of town government. The town has history in this regard having shared a town administrator with Chesterfield and Westhampton in the late 1980s under the state sponsored circuit rider program. Since that time, however, the demands on local government have increased exponentially. Therefore, we strongly recommend a full-time position.

For quick action, the administrator position might be authorized merely by town meeting approval of a budget line item for a salary, or as part of a by-law together with specific job responsibilities. In the long term to foster stability, the powers and duties of a town administrator should be incorporated into a town charter, the adoption of which is also a recommendation in this report.

The subject of a town charter will naturally spur debate on whether town finance offices ought to be elected or appointed. It will direct discussion toward the issue of accountability in government, and whether it is best achieved by consolidating appointing authority in the town administrator, while the various elected boards continue in a role as policy makers.

Conclusion - During the course of this report, the absence of a leadership presence in town hall has stood out. While this board of selectmen appears willing to be more involved in

town government than predecessor boards, its efforts have not yet materialized in a meaningful way. At the same time, the daily administration of government is not their charge, nor is it a fair expectation that town hall issues can be resolved by any part-time board. The town needs the full-time commitment of a professional manager to oversee municipal government.

In the long run, the town needs to consider a town charter as a means to provide clarity of roles, accountability and fiscal stability in government. Our recommendations underscore the importance of sound practices and procedures as foundations for sustaining municipal operations. In the short run, we encourage the town to be more realistic and forward looking in its approach to fiscal affairs and physical needs.

Summary of Report Recommendations

Overall Financial Management (page 6)

- 1) *Create A Town Administrator Position*
- 2) *Improve Communications Between Selectmen and Town Hall Staff*
- 3) *Adopt a Town Charter*
- 4) *Address Town Hall Physical Plant Issues*
- 5) *Adopt and Commit to Reserve Policies*
- 6) *Restrict use of Free Cash Implement Employee Performance Reviews*
- 7) *Restrict Use of Finance Committee Reserve Fund*
- 8) *Commit to a Capital Improvement Program*
- 9) *Implement Employee Performance Reviews*
- 10) *Update the Town's Procurement Policy/Appoint a Chief Procurement Officer*
- 11) *Complete an Outside Audit Each Year*
- 12) *Move to a Bi-Weekly Payroll for All Employees*

Computers and Technology (page 14)

- 13) *Create a Budget Line Item for Technology*
- 14) *Create a Technology Subcommittee*
- 15) *Explore the Possibility of a Part-time or Shared Technology Person*

Assessors (page 16)

- 16) *Stronger Leadership Role by Board*
- 17) *Minimize Changes to Office Structure*
- 18) *Account for All Office Responsibilities*
- 19) *Plan for Interim Year Adjustments*
- 20) *Complete Re-Listing of Personal Property Accounts*

Treasurer/Collector (page 20)

- 21) *Maintain Debt and Debt Service Schedules*
- 22) *Act on Tax Titles*
- 23) *Create a Consolidated Cash Book*

Accountant (page 24)

- 24) *Centralize Record Keeping for Sick Leave/Vacation Time*
- 25) *Create a Uniform Timesheet*
- 26) *Design Software to Match the Schedule A*
- 27) *Complete GASB 34 Implementation*

Overall Financial Management

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

In this context, finance department heads and staff are effective in producing vendor and payroll warrants for review and approval by the selectmen. The finance committee has primary responsibility for developing the annual budget and, despite little guidance in by-laws, fulfills that role in a thoughtful and conscientious manner. To its credit, the committee has consistently advocated sound financial practices, particularly concerning the use of reserves, but has lacked the support necessary to make fiscal policies a formal part of the budget process. This is, in part, a reaction to tight budgets during difficult economic times, which have also caused abandonment of the capital improvement program. As a result, long-term planning suffers.

Staff involvement is necessary, as well, in the preparation of required submissions to DOR. The balance sheet (for free cash certification) is completed timely by the accountant, however, his preparation of the town's Schedule A has generally lagged. This may be a time issue. Finally, the accountant, assessors and town clerk collaborate on the preparation of the town's Tax Recap Sheet, which is the basis of DOR approval of the annual tax rate. DOR advocates Tax Recap submissions by November each year, but Southampton's filing is typically delayed. The avoidance of December special town meetings and better planning during years when state certification of property values is required would help.

On balance, these are minor issues in the overall financial management of the town. A greater part of our attention is directed to areas of concern and decision-making matters beyond the role of the town executive secretary and outside the scope of town hall staff responsibilities. In the absence of a town administrator, the burden falls to the board of selectmen to take a global view of town government, to receive all points of view and, ultimately, to advocate and to act in a decisive and public way. Key is improved collaboration and communication with the finance committee and with town hall managers and staff.

Recommendation 1: Create a Town Administrator Position

We recommend changes that establish a town administrator as the central management authority in town hall. Missing in Southampton government is the essential ability of one person to execute town goals, to take initiatives to improve operations and to establish clarity of expectations in the day-to-day administration of town business.

With these and other responsibilities, a town administrator should have a central role, on a substantive level, in the development of budget guidelines and the annual budget process. He or she should lead a financial management team. Working with the finance committee, he or she should orchestrate analyses of financial data, coordinate long range revenue and expenditure forecasting, and oversee fiscal procedures. A town administrator would make decisions every day that help selectmen advance community goals and provide guidance for department managers in less visible, but significant areas of government that have a direct impact on services.

The town should also consolidate appointing authority in a town administrator and in a way that clearly establishes town-wide accountability. Under this structure, all department heads would be appointed by and report to the town administrator. Part-time boards and commissions can continue to provide expert guidance, make customary decisions, and formulate policy.

One option would be to explore the possibility of engaging the services of a part-time town administrator who would work in town hall two or three days each week. The staff would benefit from the town hall presence of a person who can resolve issues, make decisions on initiatives and follow-through on directives from the selectmen. Whether part-time to start, or full-time, the town will benefit by placing responsibility to oversee its \$12 million enterprise squarely in the hands of a professional hired for that purpose.

Recommendation 2: Improve Communications between Selectmen and Staff

We recommend that the selectmen takes steps to improve communications with department managers and staff. Whether or not the town is successful in adopting a more centralized management system, better communication between the selectmen and those who administer the day-to-day business of the town is warranted. Currently, the flow of information appears to be indirect which raises issues of accuracy. As the primary policy making body in town government, the selectmen would benefit in their decision making from a greater understanding of operations, and the impact of their decisions on operations. Without a day-to-day management presence in town hall, the department managers and staff would benefit from hearing first hand the underlying reason and purpose of decisions that are made.

To achieve these goals, one option is to assign a liaison from the board to town hall staff. This person could meet collectively with managers and staff each month to exchange information, raise issues and plot corrective courses of action. He or she could meet separately with finance officers to similarly address fiscal issues. This represents an atypical role for a

board of selectmen. However, given the current lack of communication, and in the absence of a town administrator, establishing a more formal relationship is justified.

Recommendation 3: Adopt a Town Charter

We recommend that completion of a comprehensive review of town government and work toward the adoption of a charter. At a time when cities and towns are making local decisions on how they wish to be governed through the adoption of by-laws and charters, the town of Southampton defaults, in large part, to generic state statutes.

Useful for basic guidance, the general laws fail to account for distinguishing characteristics, and leave it to communities to establish more customized organizational structures and to more clearly define relationships and procedures under which they operate. Although much could be accomplished through by-laws, a charter has become the preferred vehicle among communities to ensure long-term stability, and to discourage frequent or frivolous amendments to government structure.

In Southampton, the concept of centralized management should be foremost in any discussion of a charter. If adopted, the powers and duties of a town administrator would, for instance, be laid-out in charter provisions. Although it would be within the town administrator's charge to recommend where efficiencies in the use of personnel and equipment could be gained, changes would be implemented through the charter. In particular, consolidation of the cemetery, park, water, tree warden, highway and forest warden functions into a single department of public works might be examined. He or she might also explore whether the current 32-hour work week for full-time employees is realistic. Often times, overall proficiency declines because in a shortened work week, it takes staff additional days to accomplish tasks.

The focus of other discussion should center on expanding language on the duties and relationships of town officials and departments. The budget process, based on current finance committee practices, should be incorporated together with a budget calendar. A charter would identify which town positions are elected, which are appointed and would clearly specify the appointing authority. The town clerk and treasurer/collector positions immediately come to mind, but the status of many elected boards must be considered, as well, if a centralized structure of government is to work.

There are two alternative paths leading to the adoption of a new charter. Under MGL Ch. 43B, the selectmen can unilaterally place a referendum question on the local ballot whether to adopt a new charter and, if so, to elect a nine-member charter commission. Alternatively, 15 percent of the town's voters can petition the board of selectmen to do the same. Once approved, the commission is directed by statute to hold its first public hearing within 45 days of the election and to complete its final report within 18 months. At that time, its recommendation, if any, would be placed before the voters for acceptance or rejection.

Generally, through the authorization of town meeting and town-wide referendum, a home rule petition containing the provisions of a new charter can be submitted to the State Legislature for approval as special legislation. This procedure presumes that the town has established a means, i.e., a government study committee, to receive public input, consider alternatives and arrive at proposed charter language.

Recommendation 4: Address Town Hall Physical Plant Issues

We recommend that the town take action on the location of town hall. In 1999, the Massachusetts Department of Labor and Workforce Development/Division of Occupational Safety which is charged with enforcing health standards at all county and municipal work places conducted an "Air Quality Survey" (File No. 99S-0135) at Southampton town hall. According to the published report, "The scope of the inspection centered on various complaints of inconsistent temperatures, stale air, and increased sickness and symptoms throughout the years in both the town hall and the police station."

The report cited 16 areas of concern "which should be addressed as soon as possible in order to insure that employees are protected." The town's issued its response one year later and whether or not its actions at the time were adequate, symptoms persist.

Today, the town has options. We understand that the town has received grant money to assess the potential use of the Larrabee School. We encourage the town to move forward with this assessment. We also noted that the last completed capital improvement plan recommended \$1 million for the renovation of town hall (for the police department), and \$2 million for the renovation of the Larrabee school to house town offices. Those requests were not approved. Today, the town has also built up a community preservation fund, a portion of which is available to finance the restoration of historical buildings.

Town hall is already congested and in the long run, the town will inevitably require additional office space as demands on government grow with the population. Expectations will increase for space that is functional, efficient and that reflects well on the community.

In the meantime, it is important that officials and townspeople understand that town hall is an unappealing, difficult work environment which stifles productivity and limits efficiency gains. It is not an environment that helps the town retain good employees, but puts the town instead at a disadvantage in the competition with other communities for high quality, competent town workers. It is an issue that must be addressed.

Recommendation 5: Adopt and Commit to Reserve Policies

We recommend that the town establish and implement reserve policies. A necessary part of a sound financial policy involves a statement concerning the maintenance of reserves. Healthy reserve balances serve as an important indicator of whether the town is living within its means and is a measure of stability, particularly for credit rating agencies. As important,

sufficient reserves allow a community to cope with major fiscal events that require the immediate infusion of money, as well as other emergency expenditures.

In its annual budget statement and other messages, the finance committee has consistently called for the town to commit to reserve policies. We recommend the selectmen work with the finance committee to formulate and formally accept a written reserve policy. Typical reserve policies include statements similar to the following:

- 1) Identify target levels for the stabilization fund, free cash and other reserves in a total dollar amount or as a percentage of the total annual budget. Devise a plan to gradually work toward reaching the set goal.
- 2) Direct the use of excess free cash, that is, the amount that exceeds the free cash target level, as a funding source for stabilization or as an outlay for one-time capital projects.
- 3) Restrict the use of unexpected, non-recurring revenues to non-recurring expenditures;
- 4) Restrict the use of stabilization funds to non-recurring expenditures and in an amount above a certain dollar threshold. Or, set limits on how much stabilization, or free cash can be used for operations, or other recurring expenses.

Recommendation 6: Restrict the Use of Free Cash

We recommend that the town better manage the use of free cash. In the past, frequent town practice has been to seek an early certification of free cash for use, almost in its entirety, in the current year's budget. The appropriation usually takes place at a fall town meeting which has sometimes delayed submission of the tax rate to DOR for approval. We recommend instead that the town resist the use of free cash for current year operations and limit the amount of free cash (by a dollar amount or percentage) that will be available as a general revenue source for the following year's budget. In this way, the town will have better control over free cash and can use it in accordance with reserve policies. Departmental tug-of-wars for pieces of the free cash pie can be avoided in the fall. If department managers understand that additional money will not be available later in the fiscal year, more realistic appropriation requests will emerge from the annual budget process in the spring. There would be a transition year with this recommendation, but in the end, a more stable, manageable and transparent budget process will result.

Recommendation 7: Restrict Use of Finance Committee Reserve Fund

We recommend that the finance committee adhere strictly to the purposes for which reserve funds can be used. A review of finance committee transfers over the last three fiscal years reveals the use of reserve funds that, in some instance, appear to marginally comply with the statutory requirements.

Under MGL Ch. 40 §5A, reserve funds may be transferred to an existing, or newly created account, only for extraordinary or unforeseen expenditures, which include emergencies. Generally, if a diligent budget process could have anticipated the cost, then it does not qualify as unforeseen. As to what qualifies as an emergency, the determination falls to the finance committee, and can include circumstances where delays to act would be prohibitively costly, or when the amount requested is too small to justify the expense of calling a special town meeting. Common sense should prevail. Ultimately, reserve transfers cannot be used to by-pass, or render invalid, a legitimate town meeting decision.

To avoid a pattern where departments not only request, but expect access to reserve funds (as well as free cash) during the fiscal year to backfill budgets, the finance committee should more strictly interpret and adhere to state law on the use of its reserves.

Recommendation 8: Commit to a Capital Improvement Program

We recommend the town commit to a long-term capital improvement program and to a recurring funding source. Faced with budget constraints, many communities tend to shift priorities away from funding capital improvements. In Southhampton, the capital improvements committee last updated its five-year plan in 2003 due to lack of funding and has been inactive since that time. We encourage the selectmen to reconstitute the capital improvements committee and that the committee act as directed by Article XXXI of the town by-laws.

The selectmen and the finance committee should also jointly adopt and commit to a capital improvements policy. A minimal policy would set out dollar amount and useful life thresholds to determine which projects are to be bonded and when a direct capital outlay is to be made. It would also set town debt service limits which most communities define as a maximum percentage of total town expenditures. Even if only minimal funding is available, the town should commit to a program that gradually increases funding until it reaches pre-established maintenance levels.

On the town meeting warrant, all capital improvement funding requests should be consolidated into a single warrant article. Detail for articles recommended, as well as not recommended, can be inserted as an appendix to the warrant. Town meeting would then see what projects were approved for funding, what projects were deferred and the dollar amounts associated with each.

Recommendation 9: Implement Employee Performance Reviews

We recommend that the town implement a program of employee performance reviews. Guidelines establishing a time, procedure and framework for reviewing the job performance of all town employees should be developed. Because of the absence of a town administrator, the board of selectmen would bear the greatest responsibility for conducting performance evaluations. The board would evaluate the executive secretary and the managers of all

departments over which it has jurisdiction. Other boards would evaluate their respective department heads, while staff evaluations would be completed by department heads.

Written guidelines usually set-out the purpose of an evaluation policy. They should identify step-by-step procedures that prompt a review of an employee's work responsibilities, previously established goals and performance. Guidelines should lead to agreement on priorities and new goals for the ensuing evaluation period. In this way, employees can understand what is expected of them and a record of their performance develops. If implemented in a methodical, even-handed way, regular job performance evaluations can bolster employee morale and elevate resident confidence in government.

Recommendation 10: Update the Town's Procurement Policy/Appoint a CPO

We recommend that the town update its procurement policy and appoint a chief procurement officer (CPO) to oversee its implementation. The town's procurement policy directs all departments to follow the provisions of MGL Ch. 30B in order to determine when the exercise of good business practices, the acquisition of three quotes, or a request for sealed bids is required when goods and services are purchased. However, the policy when adopted in May 2000 both referenced the specific state thresholds and also stated in narrative that the state limits should be followed. The policy is now contradictory and inconsistent with the recently amended state law.

<u>Steps to take</u>	<u>Town policy for contracts under \$1,000</u>	<u>State law for contracts under \$5,000</u>
Use of good business practices	under \$1,000	under \$5,000
Solicitation of three quotes	\$1,000-to-\$9,999	\$5,000-to-\$24,999
Competitive sealed bids or proposals	\$10,000 or more	\$25,000 or more

We recommend that the selectmen update thresholds under its procurement policy to match Ch. 30B, or clarify if departments are to follow town policy thresholds or state law.

We also recommend that the board appoint a chief procurement officer. Although the highway superintendent voluntarily fulfills this function relative to public works-related contracts and the executive secretary sometimes does the same for town hall contracts, there is no chief procurement officer. As a result, there is no line accountability for procurement, and no assigned responsibility to determine under a confusing policy, whether or not, a purchase is subject to procurement, or whether the requirements of Ch. 30B are appropriately and correctly applied.

Typically, a town administrator would be accountable for the implementation of policies adopted by the selectmen, and in this case would function as the town's chief procurement officer. As such, he or she would also be aware of changes in state law.

Recommendation 11: Complete an Outside Audit Each Year

We recommend that the town engage a CPA to complete an outside audit of town financial statements every year. An outside audit is an examination of a community's financial systems, procedures, and data by an independent certified public accountant (CPA). It is a report on the fairness of financial statements, on local compliance with statutes and regulations and serves as a valuable management tool for evaluating the fiscal performance of a community. As such, it validates the town's fiscal condition, and can help build public confidence in local government. Our understanding is that the town is not required and does not intend to have its books for FY04 audited. If this is the case, we strongly recommend that the town reverse its decision, and make the requirement for annual audits prominent in its financial policies.

Recommendation 12: Move to a Bi-Weekly Payroll for All Employees

We recommend that the town move all employees to a bi-weekly payroll system. With the exception of police, dispatch and highway personnel, who receive salary checks each week, all town and school employees are on a bi-weekly payroll system. If extended to all town employees, workloads in the treasurer's and accountant's office would be reduced, freeing time for the completion of other important tasks. The change would also avoid circumstances when selectmen, who meet every two weeks, are unable to sign the off-week warrants. It is a legal requirement that a majority of the selectmen sign the warrant before checks can be released to employees. Any adjustment to pay periods will require collective bargaining and therefore the additional support of town and union leaders.

Computers and Technology

A survey of town finance-related offices revealed a series of 13, free-standing desktop computers of various age in use. Only a computer in the assessors' office and one in the collectors office are networked to allow the electronic exchange of information. A second assessors' computer resides on a server with the first, but has read only access to data. Operating systems vary among Windows 95, 98, 2000, Windows NT and Windows XP (Home Edition). Most office computers are installed with Office 97, but two computers have Office 2000, one has Office XP and one has no word processing and spreadsheet application. All offices, but not all computers have email capacity and internet access on a wireless network.

Similarly, offices utilize financial management software that is not compatible, that is, the town does not have the ability to electronically transfer information between and among departments. The accountant's office uses H&B software, a local product which is no longer supported. The collector recently acquired Point software, which is in negotiations to purchase H&B. For a discount if purchased, Southampton has agreed to serve as a test community for the emerging H&B/Point product. The treasurer relies primarily on Excel spreadsheets, which are also utilized throughout town hall to record data. Water and sewer billing information is maintained and processed by the town clerk on Business QuickBooks.

The town has no in-house technology staff to oversee hardware or software systems. A support contract is in place with Point, as is a maintenance contract with Creative Mesh, a local company, for internet and email network support. Otherwise, department managers and staff do what they can; they help each other and sometimes contact friends or relatives for assistance when computer-related problems occur. The most frequent problem arises when the draw on electricity from the treasurer/collector's office overloads 50-amp service in Town Hall. Power surges cause the same problem. In-house circuit breakers can be reset, but in each case, the wireless network crashes requiring a service call to reset all routers at a cost to the town.

As a rule, department managers conduct regular data backups, but there are no town-wide procedures that might require, for instance, that backup tapes be stored off-site. Nor does the town have email and internet policies. Individuals are left to run anti-virus scans, and to know how to enhance security by establishing their own firewalls.

Conclusion - With the exception of the finance committee acting through the annual budget process and approving transfers during the year, little attention is directed to technology issues or long term technology planning. Although we would not recommend infrastructure improvements to Town Hall outside an overall plan to renovate the building, steps can be taken to better understand and respond to technology needs among staff

Recommendation 13: Create a Budget Line Item for Technology

We recommend that the finance committee create a consolidated budget for technology. Whether or not the town assigns the responsibilities to an individual, technology should be treated in the budget like a department. As such, there might be separate line items for expenses, purchase of services, support contracts and small capital outlays for hardware and software upgrades. Major investments would typically be approved as part of the town's capital improvement program and financed through the issuance of debt. In any event, the budget should combine into one place the technology-related appropriations from all other departments. In this way, total town expenditures will be clear and technology is more likely to receive equal treatment in the process of setting town priorities through the budget.

Recommendation 14: Create a Technology Subcommittee

We recommend that a finance committee member chair a technology subcommittee. We recommend that the town create a technology committee. Because it is the driving force behind the budget, and makes a serious effort to address technology issues, the finance committee is best suited to form the technology subcommittee. We suggest that the finance committee appoint one of its members as chair, appoint a town hall finance officer and ask that a selectman, or representative of the selectmen, also serve.

Town technology committees can have a wide-ranging charge that includes completing an inventory of hardware and developing a replacement schedule, evaluating the effectiveness of software, reviewing and negotiating support contracts, approving all hardware and software purchases, arrange for staff training and developing long-term technology goals. However it orders its priorities, the subcommittee should gather sufficient information to report annually on the technology status of the town.

Recommendation 15: Explore the Possibility of a Part-time or Shared Technology Person

We recommend that the town consider the possibility of a part-time technology person or sharing the cost for a technology person with another town. Even with part-time services, the town can better understand and dramatically improve its technology condition. It can address back-up and security issues, formulate policies, as well as plan for the future on a town-wide basis. To help accomplish these things, the town can contract with an individual consultant or engage a small firm for a certain number of hours (as it does with Creative Mesh), or explore the possibility of sharing the cost of a technology person with another town. Under a shared arrangement, each town would benefit from the on-site, rather than on-call, presence of a technology person. Through cost sharing, the towns could seek out a more highly qualified person with wider-ranging skills than otherwise possible.

Assessors

The assessors' office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitment authorizing the collector to collect real estate tax and motor vehicle excise payments.

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

The volume of work in the Southampton assessing department involves approximately 2,000 residential real estate parcels, 57 commercial/industrial accounts and 400 vacant parcels. There are an additional 122 personal property accounts. All are billed on a quarterly basis. Over the course of one year, motor vehicle commitments total about 8,000 accounts. Also in FY04, the office received 34 residential abatement applications and issued 94 personal exemptions.

Up until 2002, basic office functions were performed by a full-time clerk, while property inspections, data analysis, value determinations and other higher level assessing duties were completed by outside contractors. During this period, Bureau of Local Assessment (BLA) was aware of persistent office difficulties maintaining the quality of data and valuation results. To improve performance, the assessing board restructured the office in 2003 to include a full-time chief assessor whose job description included all responsibilities that were previously contracted-out. The new structure achieved the intended assessing goals and satisfied BLA requirements. It also produced vague lines of authority and ill-defined relationships between staff members and between board members and staff. Poor communication led to further conflict over roles and expectations.

At the time of our interviews, the office was staffed by the full-time assistant assessor and by a chief assessor, who has since resigned. Believing that the discussion among board members about filling the vacancy would focus on further adjustments to office structure, we learned that the board totally eliminated the chief assessor position. The dissenting member in the 2-1 vote subsequently resigned from the part-time, elected board after 18-years of service.

It is unclear what structure the office will take in the future. In our discussions with the remaining two board members, it seems their view is to enhance the role of the remaining clerk and bring a data collector on staff, both of whom would report to the assessing board members. In turn, the board members would take-on greater day-to-day administrative office

responsibilities, and provide the high level analytical and appraisal work that are critical assessing functions.

More so than with other departments in town hall, the assessors' office is physically small, compact and barely adequate for two employees. It provides no privacy or quiet space for the chief assessor to work or meet with property owners, and has minimum counter space to serve the public. The two computers in the office are installed with Vision appraisal software which stores property data and aids in property valuation analyses. No computer is located on the counter to allow public access to valuations, taxes and property descriptions. The two computers are networked, but one has read only rights to data.

Conclusion - From the perspective of DLS and in the opinion of the town's BLA community advisor, the assessing office fulfilled its function and reached compliance with BLA accepted practices and state regulations with the transition to a chief assessor. However, the action of two remaining board members to eliminate the chief assessor position, without a plan in place, creates concern and doubt about the future direction of the office. For the most part, the chief assessor structure worked. Looking ahead, any changes in office structure that fail to create a clear delineation of responsibilities, establish lines of authority, and ensure that all requisite assessing functions are accounted for, would be a step backwards.

Recommendation 16: Stronger Leadership Role by Board of Assessors

We recommend that the board take a stronger leadership role. The board of assessors needs to take a stronger leadership role in directing the assessing department. This should not be interpreted to mean that board control over, or involvement in, the daily operations of the office should increase. Nor is it intended to suggest that office structure needs to deviate from what has been successful in the recent past. However, the board is responsible for ensuring that employees are clear about their respective duties and that those duties are delineated in a way that makes operational and economic sense. The board must make clear what the expectations are for staff members and how the board will interact with them.

From our perspective, the conflict that arose between board members, and between board members and the former chief assessor was less an indictment of office structure than a reflection of blurred roles, poor communication and perhaps even an unwillingness to communicate. The board must act in a more open and unified way.

For the office to function smoothly, the board needs to do a better job of allocating responsibilities. An all-encompassing job description for the chief assessor may have been unrealistic, as for instance, in the expectation that personal property and commercial/industrial valuations would be completed in-house. It may also have contributed to confusion by overlapping with past responsibilities of the assistant assessor. Whether clearly stated or not, lines of authority were not evident in the way that staff and board members interacted.

Moving forward, the board will need to address these types of issues if the assessing department is to perform at levels satisfactory to the town and to DOR.

Recommendation 17: Minimize Changes to Office Structure

We recommend that the board of assessors retain the office structure which has proven successful. With the transition two years ago from an office where all valuation related functions were contracted-out to the creation of a chief assessor position where those functions were completed in-house, the assessing department eliminated performance deficiencies cited by BLA. Now, having abruptly eliminated the chief assessor position, the board risks undermining recently gained, public confidence that property valuations are equitable, and that BLA standards and procedural requirements are met.

While it is frequent that assessing offices operate with any mix of in-house duties and contract services, recent history in Southampton argues against a full return to the ways of the past when virtually all valuation-related work was out-sourced.

The assessing function should be a town department with a department head and clear staff roles and lines of authority. We strongly discourage any structure that puts board members in the office to perform critical valuation functions on a regular basis, or involves them in the day-to-day administration of office activities as a cost saving alternative or for any other reason. This is a structure communities are moving away from. It confuses roles, creates tension and in the long run does not provide stability and continuity. Instead, the board's focus should be to should set policy and more generally guide operations.

Recommendation 18: Account for All Office Responsibilities

We recommend that the board account for all requisite assessing department responsibilities. As the board considers the delineation of office responsibilities in the future, it must be certain to, at a minimum, account for the following tasks:

- Inspection of sale, building permit and abatement properties. Conduct cyclical property reinspection program.
- Maintain public records in compliance with state law and BLA regulations
- Mail forms of list, sale questionnaires and income/expense statements
- Data enter new property information from inspections, mailings and deeds
- Conduct analysis for new growth estimate
- Prepare information for Tax Recap Sheet
- Prepare classification hearing presentation
- Process abatement and exemption information
- Assess and administer motor vehicle, farm and boat excises
- Establish annual overlay
- Conduct annual property adjustment analysis
- Set property values and prepare commitment list

- Prepare for triennial state certification of property values
- Fix annual tax levy and tax rate

Recommendation 19: Plan for Interim Year Adjustments

We recommend that a plan be developed to meet new reporting requirements for interim year property value adjustments. Whether the task is completed in-house by a full-time qualified professional or through a contract with an outside vendor, all city and town assessors are obligated to complete an annual sales analysis to determine if changes in market conditions warrant corresponding adjustments to property values in order to reflect full and fair cash value as of January 1. Beginning in FY05 all assessors are required to report the results of their analysis (whether or not an adjustment was necessary) for all real property to the State Bureau of Local Assessment (BLA) on the form entitled "Adjustment of Valuations Between Certification." The form is available to communities as part of the package of electronic forms accompanying the annual Tax Recapitulation Sheet. It must be received by BLA before, or with, the Form LA-4. In addition, assessors are required to retain documentary back-up and other evidence of their analysis, again, whether or not property adjustments were made. For more information, we refer the assessors to the BLA publication Guidelines for Development of a Minimum Reassessment Program at www.dls.state.ma.us/bla/pdfs/minguide.pdf.

Recommendation 20: Complete Re-Listing of Personal Property Accounts

We recommend that the assessors' take the action necessary to complete a relisting of all personal property accounts. In prior years, the town took the steps necessary to recollect data on all commercial and industrial properties, which had been corrupted in a computer conversion. Now, it needs to similarly move forward and update all personal property account information. Virtually all Massachusetts towns, regardless of office structure, contract-out for this service. We understand that this process has begun, but encourage Southamptn, nonetheless, to complete the task in its entirety as soon as possible. Increased tax revenue generated by more accurate property valuations should more than cover the \$7,000-8,0000 cost for an outside contractor.

Treasurer/Collector

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

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. If a town accepts MGL Ch 41 §38A, the position becomes a town collector, and then has the authority to collect all monies due to the community. Collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited daily. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Credit reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days. In most communities, the collector manages the contractual agreement with the Deputy Collector.

The treasurer/collector was first elected to a three year term in 2002, and is up for re-election in May of this year. Prior to her election, she served as assistant treasurer in the office. Staff includes a full-time assistant collector, a full-time assistant treasurer and a part-time motor vehicle clerks. Each has specific responsibilities and staff are cross-trained and help to complete whatever task requires attention. The treasurer/collector has a small office with a plastic covered window, failing heat and no air circulation. The remaining staff share a larger, but still congested space with slightly better air circulation.

The office is set up with four desktop computers which are not networked. Point is installed for collector functions, while treasurer records and motor vehicle activity are maintained on Excel spreadsheets. The payroll is processed through Unifund system software. Staff are satisfied with software performance, but frequent power surges occur in the treasurer/collector's office which overload the 50-amp electrical service disrupting computers and the wireless internet and email network.

Conclusion - The recommendations we offer are relatively minor suggestions intended to improve record keeping and procedures, as well as to provide some guidance on where priorities might be placed. Overall, the treasurer/collector and her staff effectively fulfill the responsibilities of the office. They do so in substandard facilities and, like all other town hall employees, on only 32 hours per week. The short work week, in particular, is a significant obstacle and will slow implementation of the procedures we recommend, especially during any necessary start-up period. Success will require patience, support and understanding from the selectmen and other observers.

Recommendation 21: Maintain Debt and Debt Service Schedules

We recommend that the treasurer/collector maintain independent debt and debt service schedules on Excel spreadsheets in a more detailed format. The treasurer has statutory obligations to report annually to the town accountant and periodically to the State Bureau of Accounts (BOA) information relative to the issuance and payment of debt. Toward that end, the treasurer/collector currently maintains a record of town debt and debt service, and is timely with the submission of a year-end "Statement of Indebtedness" to DOR. We recommend, however, a more detailed format which would organize information needed for the DOR report, and assist the town with annual budgeting and in long-term planning. We offer the following guidelines:

- 1) Debt Service/Long Term Schedule - This chart, updated annually, projects principle and interest payments, carried to the longest term outstanding. The chart should identify the date of issue, the purpose of the bonds and whether or not payments are self-supporting (covered by rates) or by taxes. As the chart extends left-to-right into the future, it would display overall principle and interest obligations by year, and when debt service begins and ends for individual projects.
- 2) Debt Service/Monthly - The treasurer should maintain a similar chart of debt service obligations on a per month basis for the current fiscal year. Used in tandem with monthly revenue and expenditure estimates, this information is important to forecasting the cash flow needs of the town through the course of the fiscal year. It is also useful when reconciling debt with the accountant once or twice a year.
- 3) Debt Schedule (also referred to as the "Statement of Indebtedness")- The debt schedule would be a list of long term debt by project inside the debt limit, the same for outside the limit and of short term debt (by type and project). For each project listed, the chart would show the amount outstanding as of July 1, additional amounts issued during the fiscal year, amounts retired, outstanding balance as of June 30, and the total interest paid during the fiscal year. A final chart entitled "Authorized and Unissued Debt" would include the date of the authorizing vote, the town meeting article number, purpose, amount authorized, amounts issued or retired, and the remaining unissued amount as of June 30.

Although the town clerk has a statutory obligation to certify to the assessors and the accountant any town meeting order or vote appropriating money (MGL Ch. 41, §15A), the treasurer/collector should meet with the clerk as well to compare notes. As a matter of course, she should also communicate with department heads to learn when capital projects are likely to begin (i.e., to learn when she will need to provide financing).

Recommendation 22: Act on Tax Titles

We recommend that the treasurer/collector move delinquent property tax accounts into tax title each year. We encourage the treasurer/collector to move delinquent property accounts into tax title status as soon as practical after the close of the 4th quarter tax payment period. Once in tax title, the receivable can be removed from the collector's books and a process that works toward payment agreements, full redemption or foreclosure can be initiated.

We recommend that the treasurer/collector expand her current tax title program. The treasurer/collector already sends a series of three letters, as demands, to delinquent taxpayers. Although not required, we encourage her to expand her effort as other communities have done.

- With a demand notice, the collector can inform the property owner of her intent to publish a notice of taking as of a specific date.
- Once taken, she can write that the property has been taken into tax title and will be secured by filing an instrument of taking at the registry within 60 days.
- Once filed, she can inform the owner that the delinquent account has been moved through the process in preparation of foreclosure proceedings.
- After six months, the treasurer can inform the owner of her intent to file a petition for foreclosure in Land Court in preparation of selling the property at auction to recover back taxes.

The purpose is to alert delinquent taxpayers of impending action, and then demonstrate follow-through on that action. At each juncture, the delinquent property owner should be informed of additional charges applied to his account, and of his right to redeem title. Communications might also include an offer to negotiate a partial payment installment agreement as an alternative. The use of form letters, spreadsheet files and a word processing mail merge function, together with the relatively small number of new tax title accounts each year, should make this a manageable, easy-to-sustain program, but start-up will take time. Ultimately, the goal is to convince current and potential delinquent taxpayers of the town's seriousness in the collection of taxes.

We recommend that the treasurer organize tax title accounts into groupings. The organization of tax titles should include the creation of a spreadsheet file that includes sortable data for all accounts. Groupings should include the following:

- *Land of low value* - These properties can be placed on a fast track toward auction outside Land Court proceedings. To qualify, a tax title property must have a current assessed value less than \$15,000.
- *Multiple parcels under single ownership* - Greater efficiencies can be gained by dealing with these properties together either in Land Court or during a negotiation of a partial payment agreement.
- *Accounts with bad addresses and deceased properties owners* - These accounts should be individually investigated to determine the likelihood of identifying legal owners, or person(s) in possession. If an owner is found, contact should be made. If after a diligent search, an owner cannot be found, alternative action should be considered. Available options include a petition to the Commissioner of Revenue under MGL Chapter 59, Section 11 seeking authorization to assess taxes to the person in possession of the property (if this is the case), or to assess the taxes to persons unknown.
- *Existing partial payment agreements* - Existing agreements should be reviewed. If payment plans are not being honored, the agreement should be restructured or voided, and foreclosure proceedings should be initiated.
- *Remaining accounts* - These accounts are the most likely candidates for outside legal assistance.

To reduce the number of properties in tax title and to collect any portion of the outstanding taxes owed the town, requires a commitment not just from the treasurer, but from the board of selectmen and town meeting as well. The town's annual expenditure to pursue tax titles must be sufficient to accomplish the established goals if tax delinquency is to be discouraged. A well thought-out plan of action supported by an infusion of meaningful resources will help maximize collections.

Recommendation 23: Create a Consolidated Cash Book

We recommend the treasurer/collector set up an Excel spreadsheet to function as a consolidated cash book. Currently, the treasurer/collector maintains up-to-date records of the town's receipts and disbursements through warrants. As a financial control, she and the accountant reconcile their respective balances in cash accounts each month. To make this job easier, we suggest the treasurer/collector consolidate this information on one spreadsheet. Under separate cover, we can provide a sample Excel cash book.

Accountant

The accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue and is typically involved in the annual budget process.

Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end Balance Sheet (for Free Cash certification). Finally, the accountant works with the assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The town of Southampton has had a contractual relationship with its accountant since 1991. He spends two days a week in Southampton and the remainder of this time in Shutesbury and Chesterfield. The assistant accountant is a 20-hours per week position.

The accountant and assistant accountant share a single computer on a third desk. It runs Windows 98 and is installed with Office 97. It is not networked with any other town hall computer. The assistant accountant conducts regular tape backs and stores tapes on site. Also installed is the H&B financial management software which is a DOS-based general ledger application. The accountant is well-adapted to the software and satisfied with its performance. However, the software is no longer supported by its developer, who is close to entering a partnership relationship with Point. For a 50 percent discount on purchase, the town has agreed to serve as a test community for the upgraded Point/H&B software product.

Conclusion - Longevity in office gives the accountant a valuable understanding of Southampton and how it operates. As a result, the accountant's office functions well and fulfills fundamental responsibilities relative to the general ledger and the payroll and vendor warrant process. Our recommendations are few and are offered as a means to enhance the checks and balances that are currently in place.

Recommendation 24: Centralize Record Keeping for Sick Leave/Vacation Time

We recommend that the town centralize record keeping for accrued employee sick leave and vacation time. Among his duties, the accountant must annually report, for the purposes of GAAP accounting for financial statements, employee sick and vacation time vested and accrued. This reflects the obligation of the town under contracts to compensate employees, upon retirement, for all or a portion of their sick and vacation time earned, but not taken.

Under current town practices, sick time and accrued vacation is accounted for and maintained generally for employees at the departmental level. Because the information is not regularly transferred by way of timesheets or otherwise, the accountant has no record, nor the means to calculate, the total town liability for sick time and accrued vacation.

The maintenance of records at the departmental level represents good practice only if the practice is uniform, and if corresponding information is also retained in a centralized location, i.e., with the accountant. Otherwise, checks and balances do not exist. The absence of a systematic procedure for maintaining these records can give rise to circumstances where an employee's claim of accrued sick leave and vacation time cannot be corroborated or challenged with credibility.

Therefore, we recommend that the board of selectmen request that the accountant develop a means, in cooperation with department heads, to implement a centralized system for tracking accrued sick leave and vacation time town-wide. In particular, the accountant should inquire whether with the new Point/H&B software will have the capability to track this information.

Recommendation 25: Create a Uniform Timesheet

We recommend that the accountant work with the treasurer/collector to develop an electronic timesheet for use by all town departments. Presently employee timesheets are submitted to the treasurer and then forwarded to the accountant from department heads in a variety of formats. We recommend instead a uniform format that is flexible enough to accommodate all departments be created as an Excel spreadsheet. Once completed, the form can be electronically emailed, faxed or delivered to the treasurer. A uniform timesheet should also include codes for time taken for sick leave and vacations which would allow the accountant to keep a central record. To address the requirement for department head signatures on timesheets, we refer the town to the Massachusetts Uniform Electronic Transactions Act, which allows for the electronic transfer of authorizing signatures in municipalities.

Recommendation 26: Design Software to Match the Schedule A

We recommend that the accountant work with Point to produce software that can organize town expenditures to match the Schedule A groupings. Unlike most accountants who serve a single community, the Southampton accountant serves three towns and, as a result, must complete three year-end Schedule A's for DOR. To help save time and ease the task, an increasing number of general ledger software applications have the capability of reorganizing town data into the Schedule A format. The accountant should communicate with software developers at Point/H&B to incorporate this capability into the new software product.

Recommendation 27: Complete GASB 34 Implementation

We recommend that the accountant take steps necessary to complete GASB 34 implementation. As a so-called "tier two" community, the town should have been in compliance with GASB 34 at the end of FY03. Although much of the required new procedures are accounting-related, other departments are typically involved in developing an inventory of fixed assets which is a large part of the up-front preparation. It is our understanding that steps have been taken to bring the town into compliance, but the town lags in generating an inventory of fixed assets. The accountant should work with other departments to complete this task.

Acknowledgements

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