

**Commonwealth of Massachusetts
Department of Revenue**



**Division of Local Services
TOWN OF HOLLISTON
FINANCIAL MANAGEMENT REVIEW**

FEBRUARY 1988

Municipal Data Management and Technical Assistance Bureau

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MASSACHUSETTS DEPARTMENT OF REVENUE

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INTRODUCTION

At the Annual Town Meeting in the spring of 1987, the Town voted to authorize the Board of Selectmen to "appoint a committee of five (5) citizens to study the current governmental structure of the town and alternatives to this structure. . . ." In support of the study committee's work, the Board of Selectmen requested the Massachusetts Department of Revenue, Division of Local Services to review the organization of the town's financial management functions.

This report is the product of that review. The review performed by the DOR was not a financial or compliance audit of individual functions within the financial offices of the town. The observations and recommendations in this report should not be construed as a statement on the quality of tasks performed within financial offices. However, the review did entail a review of the last three management letters issued by the town's certified public accountant with an eye toward determining if the findings are the result of some structural deficiency in the financial management organization of the town. Essentially, DOR's review was driven by the following questions:

1. What kinds of financial information do town boards, committees and commissions need to make sound management and policy decisions?
2. Is there a coordinated process by which this information is collected, compiled, analyzed, and transmitted to the appropriate parties, and if not, why not?
3. Is clear authority to coordinate and manage the financial functions of the town vested in one town office?
4. Is there sufficient oversight to ensure that each financial office is accountable for its actions?

In conducting this review, DOR interviewed the following individuals, boards and committees:

- o Executive Secretary
- o Assistant Assessor
- o Treasurer/Collector
- o Town Auditor
- o Board of Selectmen
- o Board of Assessors
- o Town Finance Committee

EXECUTIVE SUMMARY

DOR's review found that the current structure of the town's financial organization is substantially decentralized. This lack of centralization is an obstacle to the coordination of the town's financial functions and hinders the ability of the town to conduct comprehensive financial planning. Centralization will improve the coordination of all financial functions, result in work done accurately and on a timely basis, and ensure that corrective action is taken when problems are identified.

It should be noted that this situation is not unique to Holliston. Many towns throughout the Commonwealth are feeling the pressures of demands for increased services and limits imposed by Proposition 2 1/2, and have come to the realization that organizational changes are required to manage increasingly complex issues and competing demands for limited resources.

In light of its findings, the DOR recommends that Holliston consider a number of changes in its town government structure. These recommended changes (depicted in Chart 1) are listed below.

Recommendation #1: The coordination of the town's financial functions should be centralized.

A. The town should broaden the financial management responsibilities of the Executive Secretary. The town should vest in the position of the Executive Secretary full responsibility for the coordination of the annual budget process and the development of the Executive Secretary's Recommended Annual Budget which would include recommendations for all town activities. This budget would be forwarded to the Board of Selectmen for its review and approval and then transmitted to the Finance Committee. In addition, the Executive Secretary should be given full responsibility for on-going monitoring of the overall financial condition of the town.

B.

1. The town should eliminate the position of elected Town Auditor and create the appointed position of chief financial officer/accountant (CFO/Accountant). To assist the Executive Secretary in his financial management duties, it is

recommended the town create a position of chief financial officer/accountant. The chief financial officer/accountant would report to the Executive Secretary and have responsibility for coordinating the daily financial activities of the town.

It is also recommended that the CFO/Accountant be given responsibility for supervising the activities of the treasurer/collector (see recommendation B.2 below). This recommendation, coupled with the functional relationship between the CFO/Accountant and the administrative assessor¹ (see broken line in Chart 1); serves as the basis for recommending the chief financial officer/accountant to act as coordinator of daily townwide financial activities.

In addition, it is recommended that the CFO/Accountant assist the Executive Secretary in the preparation of the annual budget, and the compilation, analysis and dissemination of financial information for management purposes and to be used by the Board of Selectmen in its policy-making capacity.

2. The town should appoint rather than elect a treasurer/collector. The appointed collector/treasurer should work under the supervision of the CFO/Accountant. Eliminating the office of elected treasurer/collector and appointing a treasurer/collector will provide greater assurance that the stability and quality of the operation that has been achieved by the current treasurer/collector will be maintained. This is based on the observation that if the current officeholder should leave office, it is conceivable that an individual could be elected who has little or no experience in municipal finance. Appointment rather than election will broaden the pool of prospective candidates thus increasing the possibility of finding someone who has training and experience in municipal finance.

To achieve greater integration and coordination of financial management activities, the appointed treasurer/collector should work under the supervision of the CFO/Accountant.

The activities of assessing offices have a significant impact on the management of town finances. Examples are the triennial revaluation of property; annual estimates of new growth and its impact on the levy rate; establishing the annual amount of the overlay reserve; transferring funds from overlay reserve to overlay surplus; and, preparing an annual Tax Rate Recapitulation Sheet.

ELECTED
APPOINTED
FUNCTIONAL RELATIONSHIP

C. The Finance Committee's role in the budget process should be redefined from one of preparation, review and recommendation to one of review and recommendation. As a corollary to the role recommended for the Executive Secretary and chief financial officer/accountant in the budget process, the role of the finance committee in the budget process would need to be modified. It is recommended that upon review and approval of the Executive Secretary's budget by the Board of Selectmen, it would be transmitted to the Finance Committee. The Finance Committee would meet with individual departments, hold one or more public hearings on the budget, and then issue recommendations on all articles in a printed report which would be made available prior to town meeting.

FINDINGS AND RECOMMENDATIONS

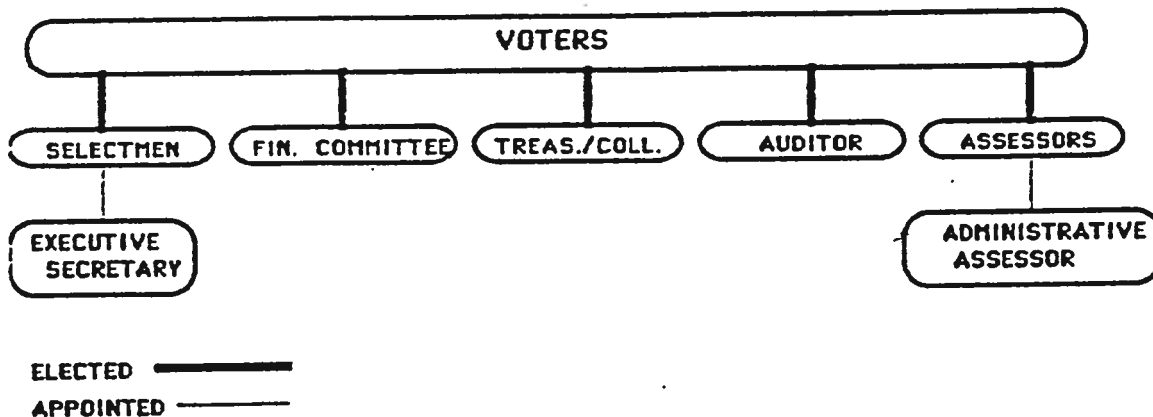
FINDINGS AND RECOMMENDATIONS

The current organizational structure of Holliston's financial management is fragmented and decentralized. This is not uncommon in relatively small Massachusetts' towns but is proving to be increasingly less effective in light of the growing complexity of issues confronting towns, increasing pressures on town services and limits imposed by Proposition 2 1/2.

Finding #1A:

Chart 2 depicts the current financial organization of the town. As can be seen, the financial functions of the town are spread among a variety of elected and appointed offices with no single office having the authority to ensure coordination or cooperation among local officials.

CHART #2: CURRENT FINANCIAL MANAGEMENT ORGANIZATION



To a limited degree, de facto centralization exists in the position of the Executive Secretary. It is, however, informal and not codified within the by-laws of the town. The degree of centralization is due to the fact that Executive Secretary has assumed responsibility for the compilation and formatting of financial information for use by various boards and committees. His ability to perform this important function is dependent upon the cooperation of other financial officials and the continued endorsement of his role by the Board of Selectmen. A change in

either of these conditions could undermine this crucial role. In fact, concern was expressed by a number of those interviewed that other town business would require increasing amounts of the Executive Secretary's time and ultimately cut into the time he can devote to the financial management role he has assumed. Further, it was expressed by some officials that much of the mechanical work (data collection and data entry) that is being done by the Executive Secretary is an activity more appropriate for the Town Auditor.

Recommendation #1A: It is recommended that the responsibilities of the Executive Secretary be broadened to include responsibility for the coordination of the annual budget process and the development of the Executive Secretary's Recommended Annual Budget.

In addition, to insure the accuracy and uniformity of financial information, he would serve as liaison between the Board of Selectmen and all town departments in the gathering and dissemination of financial information required by the Board in its policy-making capacity. Also, the Executive Secretary would be accessible and available for consultation to chairmen of boards, committees and commissions of the town and make available to them all such data and records of his office and other town departments as may be requested in connection with their official duties.

Action Required: Broadening of the responsibilities of the Executive Secretary would require an amendment of the town's by-laws.

Cost: There would be no additional cost.

Finding #1B:

- o While it is recommended that the Executive Secretary's role in financial management be broadened, it is recognized that competing demands on his time make daily involvement in financial activities difficult. Consequently, there is a need to vest in one individual the responsibility for overseeing the daily coordination of financial activities of the town and to assist the Executive Secretary in his recommended role in the annual budget process and in the development and analysis of financial information required for management and policy-making purposes.
- o Currently, the Town Auditor and treasurer/collector are elected for three year terms. Neither Massachusetts General Laws nor the by-laws of the town of Holliston prescribe minimum qualifications of education and/or experience to be eligible to hold either of these positions. It is conceivable that future candidates for either office could be elected with little or no experience or

relevant education. Given the complexity of the functions in these two offices and the essential roles these officials play in maintaining the financial health of the town, Holliston needs to be assured that these positions are held by qualified and experienced individuals.

The fact that the positions of Town Auditor and treasurer/collector are elected leaves the town vulnerable in the event that the current office holders should retire or not seek re-election. This vulnerability is due to the fact that the pool of prospective candidates who are qualified and experienced is limited in a town the size of Holliston. Appointment rather than election will broaden the pool of qualified prospective applicants.

- o It is highly unusual for a town the size of Holliston to have an elected town auditor. The majority of towns in the state have appointed accountants. An appointed accountant rather than an elected auditor provides the appointing authority with the opportunity to ensure accountability and a greater ability to coordinate financial activities of the town.

Appointing rather than electing a treasurer/collector will, in the long-run, also bring greater accountability to the financial activities of the town.

Recommendation #1B(1): The town should eliminate the position of elected Town Auditor and create the appointed position of chief financial officer/accountant.

It is recommended that the CFO/accountant be appointed by the Executive Secretary (with approval of the Board of Selectmen). The CFO/accountant would report to the Executive Secretary and have responsibility for the coordination of the daily financial management activities of the town. As a means of effecting coordination, it is suggested that the CFO/accountant, under the direction of the Executive Secretary, chair a financial management team, to meet on a regular basis (e.g., weekly or bi-weekly), and to be comprised of the treasurer/collector and the assistant assessor.

During the annual budget process, it is recommended that the CFO/accountant assist the Executive Secretary by:

- o Coordinating the initial estimates and subsequent updates of revenues
- o Assisting in the development of budgetary guidelines.
- o Re-designing or revising budget forms

- o Assisting department heads in the preparation of their annual budget requests.

- o Assisting the Board of Selectmen in its review of departmental budget requests.

- o Assisting in responses to questions of the finance committee in its review of the Selectmen's/Executive Secretary's Recommended budget.

- o Assisting in the monitoring of the budget, once adopted, to assure stability of revenues, track expenditure patterns, and to keep local officials apprised of the town's financial position.

Action required: Abolition of the office of Town Auditor requires a vote of town meeting. Creation of the appointed position of chief financial officer/town accountant requires a vote of town meeting. Town meeting has the option to specify when the position of town accountant will be created (e.g., upon the expiration of the term of office of the Town Auditor or at some point prior to expiration).

Cost: There might be a need for a minimal increase in cost to the town since to reflect the increased responsibilities of a chief financial officer/accountant over and above that of the current town auditor.

Recommendation #1B(2): The town should appoint rather than elect a treasurer/collector. Appointed rather than elected offices provide the appointing authority with a greater ability to hold town employees accountable for their actions.

To insure greater integration and coordination of town financial activities, the appointed treasurer/collector should work under the supervision of the CFO/Accountant. Authority to appoint the treasurer/collector should rest with the CFO/Accountant or the Executive Secretary, subject to approval by the Board of Selectmen.

Action Required: The change from an elected to an appointed treasurer/collector would require a special act of the legislature. The act may specify that the position of appointed treasurer/collector will be created upon expiration of the current term of office of the elected treasurer/collector, or at some point prior to the expiration of the current term.

Cost: There would be no increase in the cost to the town as the current salary of the elected treasurer/collector would fund the appointed position.

Recommendation #1C: As a corollary to the role recommended for the Executive Secretary and chief financial officer/town accountant in the budget process, the role of the Finance Committee would need to be modified. At present, the Finance Committee has responsibility for coordinating the budget process, developing the proposed budget, and making recommendations on the budget to town meeting. As recommended above, the Executive Secretary would assume responsibility for coordination of the budget process and development of the budget, thus relieving the Finance Committee of these duties. It is recommended that upon completion of the Executive Secretary's Annual Recommended Budget and its approval by the Board of Selectmen, it should then be transmitted to the Finance Committee for its review. This would essentially shift the role of the Committee from one of preparation, review and recommendation to simply review and recommendation. The result would be that the Committee would be freed from the time consuming mechanics of coordinating the budget process, thus allowing it to devote its energies to the tasks of budget/policy review and the preparation of recommendations for town meeting.

Action Required: Implementation would require an amendment to the town's by-laws.

Cost: There would be no additional cost associated with this recommendation.

FUTURE CONSIDERATIONS

As the town of Holliston and its annual budget grows, and the financial management responsibilities of the town increase, the town may want to consider further centralization of its financial management activities.

A suggested structure for a more centralized and integrated financial management organization is the creation of a Department of Municipal Finance. The Department would be directed by a Director of Municipal Finance. Included within the Department would be the accounting, treasury, collection and assessing functions.

The procedure for creating a Department of Municipal Finance was recently enacted in Chapter 756 of the Acts of 1987, An Act Providing Optional Forms of Municipal Administration, (signed into law on January 14, 1988). The Act provides that the process for the creation of a Department of Municipal Finance be initiated by a petition of a least ten percent of the registered voters of the town. Upon certification of the petition, the board of selectmen "shall by order provide for the submission of the question as specified in the petition to the voters of the ... town at the ... first annual or biennial town meeting for the election of town officers ...".

Some benefits to be derived from the creation of a Department of Finance are:

1. Enhanced accountability for financial functions.
2. Improved financial information and reporting systems.
3. Coordinated financial systems development including data processing and centralized purchasing.
4. Ability to cross-train personnel and reallocate personnel among different financial functions as needed, resulting in greater efficiency and stability in financial operations.

ACKNOWLEDGMENTS

This report was prepared by the Department of Revenue,
Division of Local Services.

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During the course of the analysis, we interviewed the
following people:

Paul Le Beau, Executive Secretary
Betty C. Bustin, Treasurer/Collector
Laurence S. Gallagher, Jr., Town Auditor
Mary M. Greendale, Selectman
Mark G. Lipetz, Selectman
John C. Losch, Selectman
Daniel Miley, Assessor
John Jordan, Assessor
Paul Maeder, Assessor
Walter Poirier, Administrative Assessor
Holliston Finance Committee