



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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To: Town of Savoy Select Board

From: **Division of Local Services**, Financial Management Resource Bureau
Marcia Bohinc, Senior Project Manager
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Date: May 23, 2024

Re: Financial Operations Assessment

At the request of the Select Board, the Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) met with town officials to discuss Savoy's current financial operations. Participating in this discussion with FMRB staff were Select Board member Marie Saucier, Finance Committee member Kathy Luczynski, and Board of Assessor and Finance Committee member Brenda Smith. Bureau of Accounts supervisor Jared Curtis and representative Matt Andre were also in attendance.

The Town of Savoy relies on a combination of part-time staff and volunteers to manage operations and provide town services. Recently, this has had a serious impact involving the financial offices including an inability for officials to get revenue and expenditure reports to prepare the FY2025 budget, free cash not certified for town meeting appropriation, and the most serious, withholding of state aid due to failure to submit the required Schedule A report. Based on our discussion, we offer the following recommendations to begin addressing these issues as well as other matters that emerged during the meeting.

Structure - Savoy's treasurer also performs the primary responsibilities of a town accountant in contradiction of [M.G.L. c. 41, § 55](#), which prohibits a town accountant from holding any other town office involving the receipt or disbursement of money. The purpose of this provision is to assure the appropriate segregation of incompatible duties, as an internal control to reduce the risk of fraud. No person with deposit and disbursement authority for the town's bank accounts should also be responsible for maintaining the town's general ledger. Furthermore, there should be check-and-balance controls between the treasurer's independent books of record (i.e., the cashbook) and the town accountant's general ledger.

Appointing the treasurer to the dual role of “accounting officer” is a matter of semantics; she is in effect the town accountant. [M.G.L. c. 41. § 1](#) requires every town in Massachusetts to elect at least one auditor, unless that position has been abolished in correlation with town meeting authorizing the select board to appoint a town accountant. Since Savoy’s town election cycles do not include an auditor position, it would appear town meeting had previously approved these actions. That being the case, we recommend that the select board appoint a person separate from the treasurer to the job of town accountant. Savoy could benefit by moving to an appointed collector. The vast majority of communities in Massachusetts have moved from elected to appointed positions. This gives the community the opportunity to define the job requirements, reporting structure, and specify clear expectations of the position and its relationship with management and team members. Moving to an appointed collector can also ensure that the office holder has the required professional credentials and relevant experience.

Another structural change most Massachusetts communities have made that would be appropriate for Savoy is to combine the collector and treasurer positions. Communities have recognized the parallel responsibilities of the offices, along with efficiencies and cash management accountability by centralizing the collection, counting, posting, depositing, and reconciling receipts to the same office. A combined office improves risk management and reduces the chance for error and fraud, making it easier to ensure that internal controls are consistently applied to all transactions. This structure requires the presence of a second staff member to meet fluctuating office demands (for instance during tax billing) and allows the town to build in layers of duty segregation for cash management functions, as well as provide coverage during employee absences. Just as important, an appointed assistant treasurer/collector will have the required authority to make bank transactions and carry out necessary departmental tasks in place of the treasurer/collector, when necessary.

At the same time, the select board should create job descriptions for all positions and determine if any financial responsibilities can be performed by individuals outside of the finance team (e.g., the select board assistant helping with data entry for accounts payable warrants or reconciling payroll withholdings).

We encourage local officials to expand their existing cooperative services and explore regionalization opportunities with neighboring towns. A formal arrangement allows the town more oversight for holding the employee accountable, including availability and performance standards. To make such an arrangement, Savoy officials may pursue an intermunicipal or other cooperation agreement. Some common areas we see this are with municipal finance, elder services, information technology, libraries, public health, public safety, transportation, public works, and veterans’ services. Intermunicipal agreements are defined in [M.G.L. c 40 § 4A](#). More information can be found on the [DLS website](#).

Another option to explore is contract services. The current lack of available financial officials has communities looking to consulting services to fill the void. A consultant must be formally appointed, sworn in by the town clerk and subject to all relevant statutes. They are responsible for signing documents applicable to the office, such as warrants, checks, bond issues, and DLS Gateway submissions. It is important that any consultant's performance is monitored to ensure conformance with all statutory requirements.

Structural Summary Steps

- Appoint a town accountant
- Change from an elected collector to appointed
- Combine treasurer/collector positions
- Appoint an assistant treasurer/collector
- Develop job descriptions
- Determine if financial responsibilities can be shared within the organization
- Explore regional or shared opportunities

Operations - For the past several years, Savoy has not submitted the required documents for free cash certification until well into the next fiscal year. Free cash for this year, based on the FY2023 balances has not been certified. While there may be many reasons for this delay, the lack of revenue and expenditure reports leads us to believe reconciliations are not being regularly completed. Reconciling of the accountant's general ledger to the treasurer's cashbook and the collector's accounts receivable control book is the basis of strong internal controls and good cash management practices as well as an integral step in closing the books for certification. A lack of prompt and frequent reconciliations undermines the credibility and integrity of the community's financial recordkeeping and puts it at risk for fraud or undetected errors.

Municipal Calendar: To build a framework for consistent financial management, we recommend that the select board develop a municipal calendar that identifies key roles and deadlines that need to be accomplished on an ongoing basis. This document should be posted on the town's website for the public and given to officials so all may become familiar with each office's responsibilities, requirements, and activities that occur throughout the year. It also would help standardize the budget planning process dates. As a starting point, the [DLS Municipal Calendar](#) is available on the website. Specific items to include are:

- Cash and receivable reconciliations schedule (sample in the appendix)
- Monthly revenue and expenditure reports ([M.G.L c 41 § 58](#))
- Department turnover schedule
- Town Accountant annual report ([M.G.L c 41 § 61](#))

- Year-end DLS submission schedule for free cash certification (sample in the appendix)

Free Cash: Despite a lack of timeliness in submitting necessary documentation for free cash, Savoy has been successful at generating free cash and with it has engaged in a longstanding practice of appropriating a significant portion of it to “reduce the tax levy” at the annual town meeting. As a result, there is an expectation that a significant portion of free cash, a one-time revenue source, will be used each year to offset recurring expenditures.

Fiscal year*	Total Certified Free Cash	Appropriated to Reduce the Tax Rate	% Used to Reduce Tax Rate	Prior Year Budget	Free Cash as % Prior Year Budget	Stabilization Fund Balance as of June 30	Stabilization Fund as % Budget
2014	122,164	35,000	28.7%	1,998,643	6.1%	290,971	14.4%
2015	89,788	42,000	46.8%	2,018,516	4.4%	291,353	14.7%
2016	36,090	51,288	142.1%	1,983,623	1.8%	292,298	13.8%
2017	144,251	35,000	24.3%	2,111,386	6.8%	292,680	14.1%
2018	195,438	55,000	28.1%	2,078,074	9.4%	343,367	16.4%
2019	231,465	45,000	19.4%	2,094,928	11.0%	346,914	16.5%
2020	189,904	95,000	50.0%	2,101,881	9.0%	261,240	11.7%
2021	314,488	45,000	14.3%	2,224,612	14.1%	313,609	13.9%
2022	205,892	55,000	26.7%	2,249,217	9.2%	414,775	18.1%
2023	170,327	50,000	29.4%	2,297,659	7.4%	392,741	17.3%
2024	-	50,000		2,275,813	0.0%		

*Free cash from two certification years was used to reduce the tax rate in some years - ex FY2016.

To achieve a sound and sustainable annual spending plan, we recommend that Savoy taper off its use of free cash for recurring expenditures. Generally, free cash should be used for non-recurring expenditures, such as outlays for one-time capital projects or purchases, or appropriation to reserves. As a percentage of the budget, Savoy has a robust stabilization fund balance. However, in spendable dollars, the current fund balance may not be sufficient to cover present-day expenses.

Independent Audit: We recommend that the town engage an independent auditor to conduct biennial audits at a minimum. Savoy has not had an independent audit since the one performed by Sawyer, LLC for FY2014. Audits ensure the quality of a town’s financial health by providing an independent view on the accuracy and reliability of financial statements. Infrequent audits are unlikely to reveal the underlying causes of financial problems, which can result in decisions being based on an inaccurate understanding of town finances and lead to internal control failures, exposing public assets to serious risk.

We understand that the engagement of an audit firm is an additional expense for a town. However, independent confirmation that town financial records are being maintained in accordance with the law reassures residents and builds public confidence. Furthermore, officials that represent the town deserve to have the information that a comprehensive and rigorous audit provides.

Technology - We advise the town to complete a multiyear technology plan that prioritizes a schedule for improvements. The evaluation should include itemizing all software currently used to determine what might be discontinued or integrated into the other systems. Considerations for this plan should include:

- Preparing for a financial system conversion (see appendix)
- Creating remote access opportunities for financial input and reporting
- Exploring online access for public services (e.g., bill paying)
- Leveraging technology for public communications:

Revamp town website: A well-designed and informative website is a great service to residents and town employees. The site should be designed to include relevant documents, meeting agendas and minutes for all committees, town meeting warrants and results, calendar of events, and public notices. Self-service tools allow residents to find answers and perform desired tasks, such as paying bills or applying for permits, without conforming to town hall hours.

Annual town report: State law requires towns to issue annual reports to inform residents of government activities. Communication could be improved by posting the most recent report prominently on the town's homepage along with a link to an archive of older reports and by making it a single, searchable portable document format (PDF).

Budget document: A budget document conveys various fiscal decisions and policies in one comprehensive message to the residents and taxpayers. Communities of all size should prepare a budget document that at a minimum highlights the community's priorities with a message from the select board discussing the allocation of resources, issues, and challenges for the upcoming year.

In preparing the technology plan, officials should search for grant funding opportunities including through the [Community Compact Cabinet](#).

APPENDIX

Sample Reconciliation Schedule

Records of Account to be Reconciled	Record Keeper	Reconciliation Time Frames
Cashbook	Treasurer/Collector	<ul style="list-style-type: none"> ▪ With online bank data daily ▪ Month-end close by the 10th of the following month ▪ To the general ledger by 15th of each month
Payroll withholdings	Payroll	<ul style="list-style-type: none"> ▪ Internally, by the 10th of the following month ▪ To the general ledger by 15th of each month
Collector's receivables	Treasurer/Collector	<ul style="list-style-type: none"> ▪ Month-end close by the 10th of the following month ▪ To the general ledger by 15th of each month
Other departments' committed receivables	Departmental record-keepers	<ul style="list-style-type: none"> ▪ Internally, within 10 days of the end of each fiscal year quarter ▪ To the general ledger by the end of the month following each quarter-end
Special revenue funds	Departmental record-keepers	<ul style="list-style-type: none"> ▪ Internally, within 10 days of the end of each fiscal year quarter ▪ To the general ledger by the end of the month following each quarter-end

Sample Year-End Document Submission Schedule

Finance Official	Schedule/Report	Date
Town Accountant	<ul style="list-style-type: none"> ▪ Snow and ice data sheet ▪ Balance sheet checklist ▪ Combined balance sheet and supporting documents ▪ Schedule A 	<ul style="list-style-type: none"> ▪ September 15 ▪ October 31* ▪ October 31* ▪ November 30
Treasurer and Town Accountant	<ul style="list-style-type: none"> ▪ Statement of indebtedness ▪ Treasurer's year-end cash report ▪ Cash reconciliation 	<ul style="list-style-type: none"> ▪ October 31* ▪ October 31* ▪ October 31*
Town Accountant, Collector, and Treasurer	<ul style="list-style-type: none"> ▪ Schedule of outstanding receivables 	<ul style="list-style-type: none"> ▪ October 31* <p>*Target Dates</p>

Steps to Consider when Converting Financial Management Systems

Purchasing a new financial management system takes a team effort—internal staff, the software vendor, and potentially specialized consultants—to plan and execute a software conversion efficiently and effectively, while also performing ongoing daily financial office work. When deciding such a move, the community should consider the following.

Contact Other Communities: Reach out to communities that have converted to the proposed system to discuss the planning process, successes, and things they would have done differently.

Create a Timeline: Work with the vendor or consultant to develop an implementation schedule that balances ongoing operational needs, while allowing adequate time for the conversion and enough training for each module. Factors to consider are the services offered by the vendor, time requirements, how much data will be brought into the new system, and an allowance to reconcile the data across the two systems. The timeline should be module specific to ensure the data quality is checked and the system is fully implemented before moving onto the next module.

Review Chart of Accounts: Review the chart of accounts to make sure that it is designed to meet the uniform standards for financial reporting, budgeting, and accounting. Work with the vendor and external auditor, if applicable, to make sure the chart of accounts provides for a comprehensive, flexible, and systematic arrangement of accounts and adequate levels of detail for use in recording and reporting financial transactions, programs, and activities.

Research/Close Older Accounts: Review all accounts with department heads to determine which accounts should be closed prior to converting to a new financial management system. This should be a collaborative effort between the accounting officer and the chief administrative officer and/or finance director.

Prioritize Essential Modules: Identify modules that should be implemented and tested first to ensure they are fully functioning sooner than later. Key among these is revenue entry to enable independent recording and tracking of revenue transactions and the payroll system to record time and attendance, code and calculate payroll types, and track accrued absences centrally and accurately.

Require Conversion Documentation: Develop a detailed crosswalk of accounts, documenting old and new account structures, as well as prior system and new system balances. The crosswalk should be developed before the conversion begins and updated as any changes are made during the process. This documentation is important with a change in the chart of accounts and closing of older accounts.

Schedule Training: Make sure initial and ongoing training is scheduled. Following the vendor's recommended training guidelines, instruction on the functionality and features of the new system will lay the cornerstone for understanding how it is designed, integrated, and best used towards continuous improvement in the workflow process.

Confirm Sufficient Funding: The project budget should include supplemental funds for potential change orders, unforeseen conversion issues, staff training, and required post-conversion support not covered by the original contract. An unfinished conversion is not a successful conversion.

Ongoing communication with the vendor following the conversion is important. The ultimate success of any product depends on the users' ability to use it as expertly as possible. Post-implementation, the team will identify areas of success, but also recognize issues that require additional work and follow-up training needs. With appropriate time and attention from the team, the new system can meet the intended goals of the community to streamline financial management activities for more efficient operations.