



Collection of Sewer Receivables
By The
Office of the Treasurer/Collector
February 6, 2019

Why this Study?

Follow-Up on recommendations from three separate and independent entities over the past 15 years...

Massachusetts Department of Revenue (2009) said that,

“... As a matter of sound financial management practice, those responsible for determining payments due the town should not also be charged with collecting those payments.”

“... we recommend... separating... creating the commitment that authorizes the collection of... charges... from the collection function.”¹

Who Else Said This?

Melanson and Heath, Town audit firm from early 2000's to 2012, in its FY 2012 audit said:

“The Sewer Department is... responsible for collecting... receipts.” We recommend the Town segregate duties by transferring collection... to the Collector's office.”

The Town responded: “The necessary action will be taken prior to the end of the calendar year.” to correct this “Significant Deficiency”

The “necessary action” was never taken.

And Yet Another...

Roselli and Clark, Town Auditor's, cited a "significant material weakness" in our internal controls in the FY '13 - '16 audit that:

"The Town relies on the receivable reporting from the Sewer Department... this does not permit the Town to fully perform its fiduciary responsibility..."

In the FY '17 audit, Roselli and Clark subsequently stated that:

"Sewer... collections... are still completely handled... without any input from the Collector. This does not allow for proper monitoring of accounts. This continues to be a control deficiency." (And FY'18? – Yet Again)

Drive Is About Internal Controls and Reconciliations...

Office of the Inspector General (generic across the state) says that...

“Segregation of Duties is key to internal control and reducing risk”

From Office of the Inspector General, Massachusetts Certified Public
Purchasing Official Program,
Ch.30B, Training Manual
Page 15, Slide 1.

Reconciliations... Improving but still far apart even w/time investment

The Finance Team Points Out That...

Challenges for us w/

- Sewer lien process;

Possible Improvement to Sewer Cash Flow w/

- Municipal Lien Certificates of T/C if they captured the sewer receivables

Current System:

SD Prints, folds, hand stuffs, and posts 1,450+/- bills each quarter

No response from SD about their labor and material costs...

Working w/Town Clerk... Estimate \$4,200/yr and 100^{+/-}/hrs/yr

Copy Paper - Reams			12	\$7.50	\$90
Envelopes – Mailing ⁵			24	\$45.00	\$1,080
USPS - 1st Class			5800	\$0.51	\$2,958
Copies			5800	\$0.0065	\$38
				Total	\$4,166

Current System cont'd:

Collections: At sewer plant;
Could not determine if demand notices are mailed

Staffing: 54 hrs Administrative support time. 59.5 in FY '20
(Majority of Comparisons use 1 FTE)

Bottom Line: FY '20 Cost of \$78k to Sewer User but...

It fails to address lack of internal controls posing a significant deficiency in Town's accounting;

It fails to address significant weakness in the lien process;

It fails to take advantage of opportunity to improve collections (MLC);

It fails to take advantage of synergies w/in the organization;

It fails to comply with the requirements of the Town By-Laws.⁶

Article V § 1. "The Collector of Taxes shall collect, under the title of Town Collector, all accounts due the town..."

Possible Practices Examined:

Some stand on their own - Others need to be taken cumulatively.

Billing: Globe Direct... print & mail FY '20 bills for 15.5¢/bill & postage.

Saves \$1k per year and frees up 100+/- staff hours per year

OR

Reduce staffing by \$2k per year.

But... Does not address any of the failings of the current practice

Possible Practices Examined cont'd:

Collections: 7 of our comparison communities collect at the T/C's Office.

1 collects at consolidated DPW Office.

1 does not have a sewer system.

1 failed to respond.

The majority follow the DOR & audit recommended practice.

We are looking to do the same.

Costs: Software

Vadar Utility Module & ASABSD export: Capital cost of \$10k*

+ Added OPEX savings of \$600/year.

+ Dramatically reduces issues in processing annual sewer liens;

+ Improves collections w/MLCs;

- Does not – on its own – justify the extended 17+/- year payback on capital.

Costs: Collections

GF to recover costs of collections staff

Costs of T/C Attributable to Collections						
		Wages	Insurances	Medi/WC/UC	Acct #5110	WRRS/OPEB
T/C		\$65,941	\$21,996	\$5,867	\$2,500	\$20,431
Ass't T/C		\$18,903	-	\$1,090	-	-
Clerk		\$14,918	-	\$894	-	-
Totals		\$99,762	\$21,996	\$7,852	\$2,500	\$20,431
All Items		\$152,241				

Would like to coordinate due dates but... No added staff needed

Costs: Collections cont'd

Consensus seems to be 70% of time spent on collections process...

How much of that 70% to pay for?

	By \$'s	%	By # Of	%
	Collected FY '19		Transactions FY '19	
RE & PP Taxes	\$11,318,788	84.41%	16,960	52.57%
Excise Tax	\$1,050,000	7.83%	9,500	29.45%
Sewer Bills	\$1,040,699	7.76%	5,800	17.98%
Total	\$13,409,487		32,260	

$$\$152,241 * 70\% * 17.98\% = \underline{\$19,161}$$

Recommended vs Current Practice:

	FY '20 Current Practice	FY '20 Opt 1 Contract Billing Current Staff	FY '20 Opt 1A Contract Billing Adjust PT Staff	FY '20 Opt 2 T/C Collections Adjust PT Staff	FY '20 Opt 3 T/C Collections 1 FTE Staff	FY '20 Opt 4 T/C Collections PT Staff
Staff - FT	\$31,964	\$31,964	\$31,964	\$31,964	\$31,964	-
Staff - PT #1	\$14,050	\$14,050	\$12,609	\$12,609	-	\$15,582
Staff - PT #2	-	-	-	-	-	\$14,050
Insurances	\$8,576	\$8,576	\$8,576	\$8,576	\$8,576	-
Medi/WC/UC	\$4,432	\$4,432	\$4,284	\$4,284	\$3,088	\$3,028
WRRS/OPEB	\$11,225	\$11,225	\$11,225	\$11,225	\$11,225	*
Billing	\$4,100	\$3,100	\$3,100	\$3,100	\$3,100	\$3,100
Software	\$3,500	\$3,500	\$3,500	\$3,000	\$3,000	\$3,000
Payment to GF	-	-	-	\$19,161	\$19,161	\$19,161
Total	\$77,846	\$76,846	\$75,257	\$93,919	\$80,114	\$57,921

* Reduces OPEB liability by \$25k

* WRRS depends upon final staffing

Plus/Minus of The Options:

Option # 1: Sewer Department Adopts Outside Printing of Bills

Savings: \$1k/annum and 100+/- staff hours.

Timeline: 4 weeks.

Deficiencies Addressed: None

Comment: +\$1,500+/- savings if staffing reduced. (Option 1A).

Plus/Minus of The Options:

Option #2: Outside Billing w/Current Staff; Collections Move to T/C

Savings: Costs users \$16k/year & capital of \$10k. (Possibly \$0 w/CC)

Timeline: 60 days w/July 1 conversion

Deficiencies Addressed: All

Comment: Potential to improve collections w/MLC and Demands;
Reduces Sewer staff time on bank-runs
Reduces time to clear checks w/TC check scan system

Plus/Minus of The Options:

Option #3: Outside Billing, Eliminate PT Staff, Collections to T/C

Savings: Costs \$1k/year and requires capital of \$10k. (\$0 w/CC)

Timeline: 60 Days w/July 1 conversion

Deficiencies Addressed: All

Comment: Improves cash flow as in Option #2
Does not address desire for redundancy in staffing.

Plus/Minus of The Options:

Option #4: Outside Billing, 1 FTE of PT Staff; Collections to T/C Office

Savings: Saves sewer user \$20k^{+/-}/year; 6 Month payback on \$10k capital
OPEB liabilities reduced by \$25k^{+/-}

Timeline: 60 days w/July 1 conversion

Deficiencies Addressed: All

Comment: Provides substantial savings to sewer user & benefits taxpayer.
Provides redundancy in staffing but...
Relies upon PT staff; a challenge to recruit and sustain.

Re-Cap of Pluses:

Option #4: Outside Billing, 1 FTE of PT Staff; Collections to T/C Office

Savings: Saves sewer user \$20k^{+/-}/year; 6 Month payback on \$10k capital
OPEB liabilities reduced by \$25k^{+/-}

Timeline: 60 days w/July 1 conversion

Deficiencies Addressed: All

Comment: Provides substantial savings to sewer user & benefits taxpayer.
Provides redundancy in staffing but...
Relies upon PT staff; a challenge to recruit and sustain.

Re-Cap of Minuses:

One option costs Sewer Users Real \$s but

Three others save \$s or are break even at worse

So... Where does the opposition come from

- Have to deal with real people and their real lives
- Becomes a turf struggle

Collection of Sewer Receivables by T/C

