



Best Practices Review, Financial Management & Operations Analysis

Norfolk County
The Abrahams Group
October 6, 2021



Objective

- The Norfolk County Commissioners solicited proposals from qualified consulting firms to conduct a best practices review, financial management and operations analysis of the County and to assist the County in establishing financial policies, budget forecasting and a long-term capital improvement plan.

Scope of Services

The Best Practices Review, Financial Management & Operations Analysis should include but not be limited to the following:

- Multi-Year Financial Forecasting
- Financial Management Best Practices Review and Establishment of Financial Policies
- Capital Planning Processes and Procedures
- Regional Services Review
- Operations and Staffing Analysis

Presentations

We are presented our operational review findings and recommendations in three phases. The first phase on August 11, 2021 included the following scope areas:

- Multi-Year Financial Forecasting
- Financial Policies
- Capital Planning Processes and Procedures

The second phase, on September 22, 2021, included the following scope areas:

- Operations and Staffing Analysis for all departments except for the Register of Deeds and Treasury
- Regional Services Review

The third phase, today, will include the Operations and Staffing Analysis for the Register of Deeds and Treasury and a Summary.

Operational Review Report

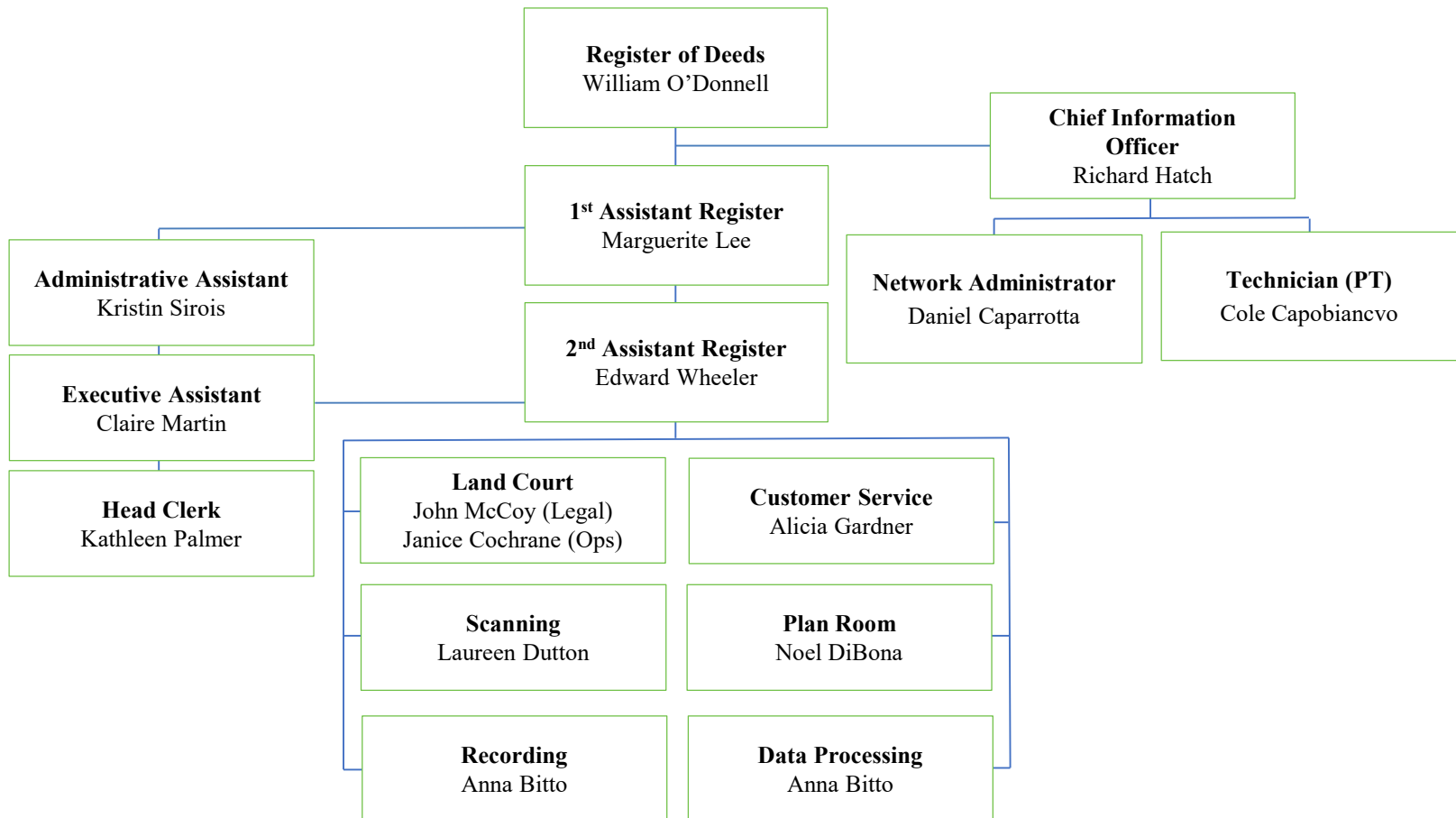
1. EXECUTIVE SUMMARY
2. INTRODUCTION
3. WOLLASTON RECREATIONAL FACILITY
4. COUNTY COMMISSIONERS - COUNTY DIRECTOR
5. COUNTY COMMISSIONERS – BUDGETING
6. COUNTY COMMISSIONERS - HUMAN RESOURCES
7. COUNTY COMMISSIONERS – PURCHASING
8. COUNTY COMMISSIONERS – RSVP VOLUNTEER PROGRAM
9. COUNTY COMMISSIONERS –VETERANS SERVICES
10. INFORMATION TECHNOLOGY
11. MAINTENANCE/FACILITIES
12. ENGINEERING
13. NORFOLK COUNTY AGRICULTURAL HIGH SCHOOL
14. REGISTRY
15. TREASURY
16. SUMMARY

14. Registry

| Norfolk County | | | Bristol County | | | Plymouth County | | |
|----------------|--------------------------|---------------------|----------------|--------------------------|---------------------|-----------------|--------------------------|---------------------|
| Code | Account | | Code | Account | | Code | Account | |
| 1 | Personal Services | \$ 3,129,485 | 1 | Personal Services | \$ 2,308,315 | 1 | Personal Services | \$ 1,967,257 |
| 2 | Contractual Services | \$ 401,000 | 2 | Contractual Services | \$ 163,925 | 2 | Contractual Services | \$ 121,040 |
| 3 | Supplies & Materials | \$ 75,050 | 3 | Supplies & Materials | \$ 68,495 | 3 | Supplies & Materials | \$ 94,853 |
| 4 | Current Charges & Oblig | \$ 43,125 | 4 | Current Charges & Oblig | \$ 944,339 | 4 | Current Charges & Oblig | \$ 52,050 |
| 5 | Equipment | \$ 15,000 | 5 | Equipment | \$ 1,248 | 5 | Equipment | \$ - |
| 6 | Structures and Improvmts | \$ - | 0 | Structures and Improvmts | \$ - | 6 | Structures and Improvmts | \$ - |
| | Total Registry | \$ 3,663,660 | | Total Registry | \$ 3,486,322 | | Total Registry | \$ 2,235,200 |

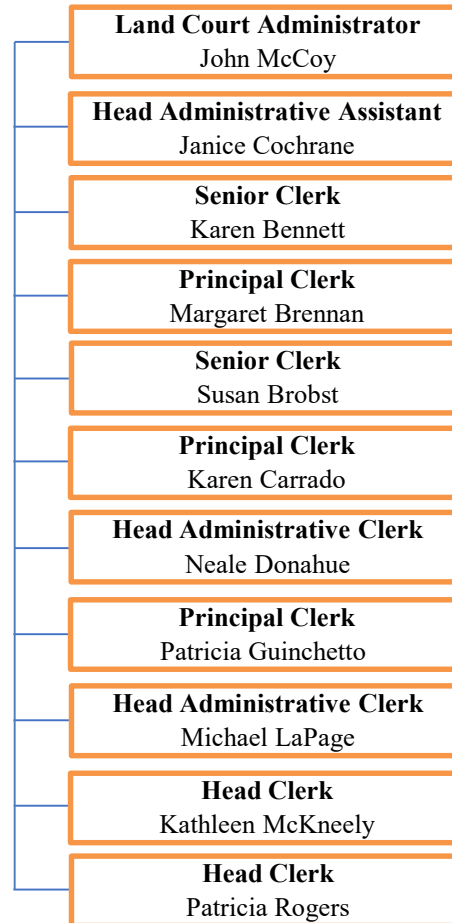
- The Norfolk County's Register of Deeds' office has significantly more staff and a larger budget than Bristol and Plymouth counties.
- Norfolk County spends more in personal services than the other two counties. Norfolk County's salary scale is higher than the other two counties.
- Other costs are in line or less than the other two counties.

14. Registry



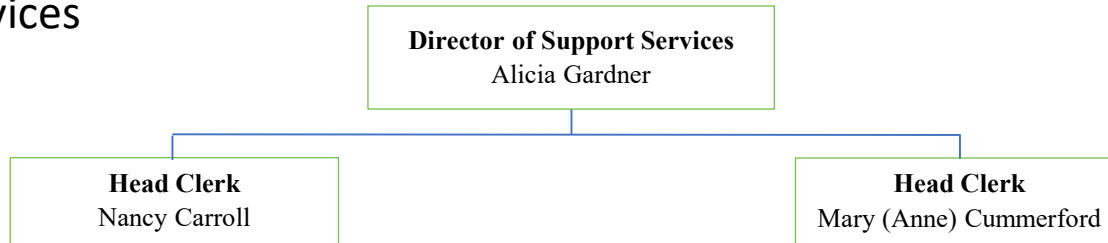
14. Registry

Land Court

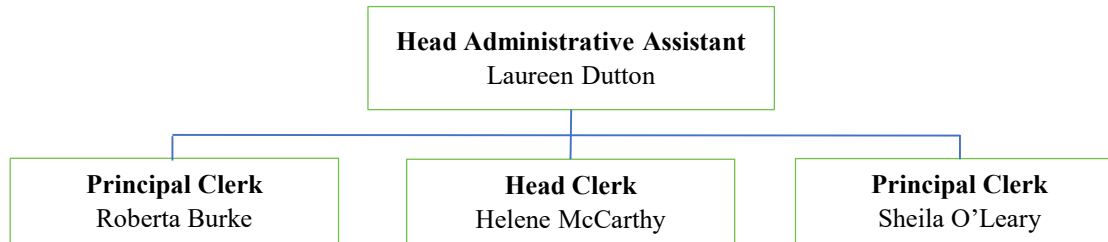


14. Registry

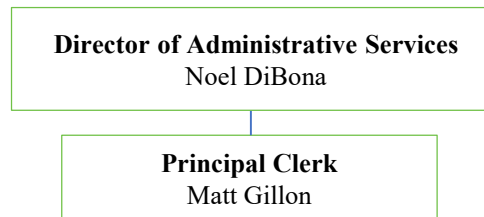
Customer Services



Scanning

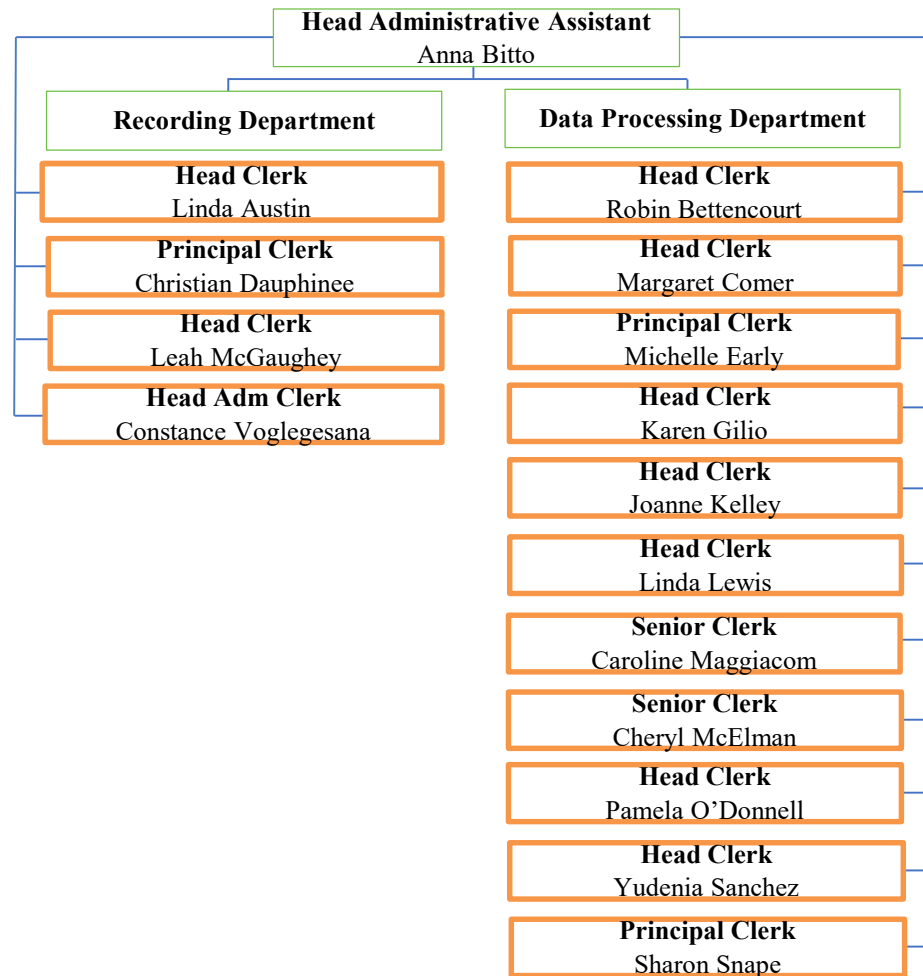


Plan Room



14. Registry

Recording/
Data Processing



14. Registry

1. Documents Processed

| | | | Total | Land | Registered | Plan |
|------|------------|------------|-----------|-----------|------------|-----------|
| FY | % Increase | # Increase | Documents | Documents | Documents | Documents |
| FY21 | 28.8% | 46,204 | 206,444 | 173,657 | 31,636 | 1,151 |
| FY20 | 17.2% | 23,567 | 160,240 | 134,571 | 24,674 | 995 |
| FY19 | -4.8% | (6,825) | 136,673 | 114,416 | 21,067 | 1,190 |
| FY18 | -10.7% | (17,202) | 143,498 | 120,292 | 22,142 | 1,064 |
| FY17 | | | 160,700 | 134,681 | 25,027 | 992 |

- Total documents processed decreased from 160,700 in FY 2017 to 143,498 in FY 2018 to 136,673 in FY 2019, then increased back to FY 2017 levels in FY 2020 and increased by 29% from FY 2020 levels to over 200,000 documents in FY 2021.

14. Registry

Documents processed, transactions per staff

| # | Registry | # Documents Processed | | | # Staff | Transactions Per Staff | | |
|----|------------------|-----------------------|---------|---------|---------|------------------------|-------|-------|
| | | FY 21 | FY 20 | FY19 | | FY 21 | FY 20 | FY19 |
| 1 | Worcester South | 187,785 | 152,057 | 134,392 | 28 | 6,707 | 5,431 | 4,800 |
| 1 | Middlesex South | 341,036 | 254,024 | 224,433 | 51 | 6,687 | 4,981 | 4,401 |
| 1 | Hampshire | 32,819 | 28,116 | 25,604 | 6 | 5,470 | 4,686 | 4,267 |
| 1 | Middlesex North | 85,062 | 67,692 | 59,203 | 14 | 6,076 | 4,835 | 4,229 |
| 1 | Suffolk | 158,274 | 129,332 | 119,725 | 30 | 5,276 | 4,311 | 3,991 |
| 1 | Essex South | 181,712 | 145,795 | 127,423 | 33 | 5,506 | 4,418 | 3,861 |
| 1 | Norfolk | 206,444 | 160,240 | 136,673 | 45 | 4,588 | 3,561 | 3,037 |
| 1 | Worcester North | 28,735 | 24,356 | 22,945 | 8 | 3,592 | 3,045 | 2,868 |
| 1 | Hampden | 95,369 | 81,246 | 80,468 | 32 | 2,980 | 2,539 | 2,515 |
| 1 | Essex North | 47,584 | 37,817 | 33,633 | 15 | 3,172 | 2,521 | 2,242 |
| 1 | Berkshire Middle | 20,366 | 17,209 | 17,748 | 8 | 2,546 | 2,151 | 2,219 |
| 1 | Franklin | 16,373 | 14,004 | 13,918 | 8 | 2,047 | 1,751 | 1,740 |
| 1 | Berkshire North | 8,726 | 7,578 | 7,493 | 6 | 1,454 | 1,263 | 1,249 |
| 1 | Berkshire South | 7,291 | 4,922 | 4,592 | 4 | 1,823 | 1,231 | 1,148 |
| 14 | Average | 101,255 | 80,313 | 72,018 | 21 | 4,137 | 3,337 | 3,040 |

- Norfolk County ranked in the middle for transactions per staff for FY 2021, FY 2020, and FY 2019, ranking seventh of fourteen registries for all three years.
- Norfolk County processed more documents than the average documents processed for FY 2021 and FY 2020, less for FY 2019 .
- Norfolk County had the second largest number of documents processed in FY 2021, 206,444, compared to South Middlesex at 341,036. This is true for FY 2020 and FY 2019.
- Worcester South, Middlesex South, Hampshire, Middlesex North, Suffolk and Essex South all have achieved greater transactions per staff for all three fiscal years compared to Norfolk County.

14. Registry

County Comparison Salaries

| # | Registry | # Documents Processed | | | # Staff | Annual Salary | Salaries Per Document | | |
|----|------------------|-----------------------|---------|---------|---------|---------------|-----------------------|-------|-------|
| | | FY 21 | FY 20 | FY19 | | | FY 21 | FY 20 | FY19 |
| 1 | Berkshire North | 8,726 | 7,578 | 7,493 | 6 | \$ 328,793 | \$ 38 | \$ 43 | \$ 44 |
| 1 | Berkshire South | 7,291 | 4,922 | 4,592 | 4 | \$ 241,923 | \$ 33 | \$ 49 | \$ 53 |
| 1 | Franklin | 16,373 | 14,004 | 13,918 | 8 | \$ 459,768 | \$ 28 | \$ 33 | \$ 33 |
| 1 | Berkshire Middle | 20,366 | 17,209 | 17,748 | 8 | \$ 517,399 | \$ 25 | \$ 30 | \$ 29 |
| 1 | Essex North | 47,584 | 37,817 | 33,633 | 15 | \$ 970,890 | \$ 20 | \$ 26 | \$ 29 |
| 1 | Hampden | 95,369 | 81,246 | 80,468 | 32 | \$ 1,877,257 | \$ 20 | \$ 23 | \$ 23 |
| 1 | Worcester North | 28,735 | 24,356 | 22,945 | 8 | \$ 446,285 | \$ 16 | \$ 18 | \$ 19 |
| 1 | Norfolk | 206,444 | 160,240 | 136,673 | 45 | \$ 3,194,818 | \$ 15 | \$ 20 | \$ 23 |
| 1 | Suffolk | 158,274 | 129,332 | 119,725 | 30 | \$ 2,094,881 | \$ 13 | \$ 16 | \$ 17 |
| 1 | Essex South | 181,712 | 145,795 | 127,423 | 33 | \$ 2,214,521 | \$ 12 | \$ 15 | \$ 17 |
| 1 | Hampshire | 32,819 | 28,116 | 25,604 | 6 | \$ 387,912 | \$ 12 | \$ 14 | \$ 15 |
| 1 | Middlesex North | 85,062 | 67,692 | 59,203 | 14 | \$ 991,760 | \$ 12 | \$ 15 | \$ 17 |
| 1 | Worcester South | 187,785 | 152,057 | 134,392 | 28 | \$ 1,723,053 | \$ 9 | \$ 11 | \$ 13 |
| 1 | Middlesex South | 341,036 | 254,024 | 224,433 | 51 | \$ 2,895,276 | \$ 8 | \$ 11 | \$ 13 |
| 14 | Average | 101,255 | 80,313 | 72,018 | 21 | \$ 1,310,324 | \$ 19 | \$ 23 | \$ 25 |

- Norfolk County had the second largest number of staff in FY 2021, 45, compared to South Middlesex at 51.
- On a salaries per document processed basis, Norfolk County is the 8th highest of the 14 counties in FY 2021.
- Further, as the number of documents processed in Norfolk County increased steadily from FY 2019 to FY 2021, the salaries per document decreased from \$23 per document in FY 2019 to \$15 per document in FY 2021. Note that all counties saw similar results. Norfolk County's salaries per document processed is lower than the state wide average for all three years.
- Worcester South, Middlesex South, Hampshire, Middlesex North, Suffolk and Essex South all have achieved lower salaries per document processed than Norfolk County.

14. Registry

County Comparison Upper Management

| | FY22 | # | FY 22 | 1st Asst | 2nd Asst | 3rd Asst | Land Ct | Info | |
|------------------|--------------|-------|--------------|----------|----------|----------|-----------|------|-------|
| Registry | Budget | Staff | Salary | Register | Register | Register | Tech Asst | Tech | Total |
| Norfolk | \$ 3,778,993 | 45 | \$ 3,194,818 | 1 | 1 | | 1 | 2 | 5 |
| Hampden | \$ 1,946,784 | 32 | \$ 1,877,257 | 1 | 1 | 1 | 1 | | 4 |
| Suffolk | \$ 2,223,820 | 30 | \$ 2,094,881 | 1 | 1 | | 1 | | 3 |
| Essex South | \$ 2,957,111 | 33 | \$ 2,214,521 | 1 | 1 | | 1 | 1 | 4 |
| Worcester South | \$ 2,323,536 | 28 | \$ 1,723,053 | 1 | | | 1 | 1 | 3 |
| Middlesex South | \$ 3,737,306 | 51 | \$ 2,895,276 | 1 | 1 | | | 1 | 3 |
| Berkshire Middle | \$ 481,419 | 8 | \$ 517,399 | 1 | | | 1 | | 2 |
| Franklin | \$ 648,216 | 8 | \$ 459,768 | 1 | | | | | 1 |
| Essex North | \$ 1,302,447 | 15 | \$ 970,890 | 1 | | | | | 1 |
| Worcester North | \$ 713,500 | 8 | \$ 446,285 | 1 | | | | | 1 |
| Hampshire | \$ 825,265 | 6 | \$ 387,912 | 1 | | | | | 1 |
| Middlesex North | \$ 1,230,811 | 14 | \$ 991,760 | | | | | | |
| Berkshire North | \$ 279,488 | 6 | \$ 328,793 | | | | | | |
| Berkshire South | \$ 237,453 | 4 | \$ 241,923 | | | | | | |

Norfolk County ranks:

- First in the number of upper management positions at five, the next highest, Hampden and Essex South, at four.
- First in total budget.
- First in total salaries.
- Second in staff at 45.
- First in information technology staff at two, higher than any other county. We note that the Registry has a part-time IT person and one person on a personal services contract in addition to the two IT persons identified above.

14. Registry

Volumes of Documents Processed

| # | Registry | # Documents Processed | | | # Staff | Annual Salary | Salaries Per Document | | |
|---|-----------------|-----------------------|---------|---------|---------|---------------|-----------------------|-------|-------|
| | | FY 21 | FY 20 | FY19 | | | FY 21 | FY 20 | FY19 |
| 1 | Middlesex South | 341,036 | 254,024 | 224,433 | 51 | \$ 2,895,276 | \$ 8 | \$ 11 | \$ 13 |
| 1 | Norfolk | 206,444 | 160,240 | 136,673 | 45 | \$ 3,194,818 | \$ 15 | \$ 20 | \$ 23 |
| 1 | Worcester South | 187,785 | 152,057 | 134,392 | 28 | \$ 1,723,053 | \$ 9 | \$ 11 | \$ 13 |
| 1 | Essex South | 181,712 | 145,795 | 127,423 | 33 | \$ 2,214,521 | \$ 12 | \$ 15 | \$ 17 |
| 1 | Suffolk | 158,274 | 129,332 | 119,725 | 30 | \$ 2,094,881 | \$ 13 | \$ 16 | \$ 17 |

- Norfolk County ranks the highest for salaries per document for registries processing over 100,000 documents in FY 2021 at \$15 salaries per document as shown on the previous table.
- Middlesex South which processed over 100,000 more documents for FY 2021 ranks far lower than Norfolk County at \$8 salaries per document. The same is true for FY 2020 and FY 2019.
- All three other registries, Worcester South, Essex South and Suffolk have achieved lower salaries per document than Norfolk County for each of the three fiscal years.

14. Registry

Recommendation

- When Norfolk County is compared to the counties that process large volumes of documents, other counties are more efficient in processing those documents. How can these counties achieving greater processing efficiencies than Norfolk County?
- We recommend that Norfolk County further benchmark itself to Middlesex South, Worcester South, Essex South and Suffolk counties to determine why these counties can process documents more efficiently.
- These counties outperform Norfolk County in several areas analyzed. Benchmarking can provide further insights and understanding beyond the results of this study. It can be a valuable learning experience. The benchmarking exercise should start with Middlesex South as they process far more documents than Norfolk County with greater efficiencies in each of the three years analyzed.

14. Registry

| Description | FY 2019 | FY 2014 | FY 2009 |
|---------------------------|--------------|--------------|--------------|
| Norfolk County | | | |
| Deeds Excise Fund Balance | \$ 4,744,203 | \$ 1,606,467 | \$ 1,497,031 |
| Technology Fund Balance | \$ 276,508 | \$ 2,956,411 | \$ 894,547 |
| Budget Expenditures | \$ 3,957,262 | \$ 3,188,684 | \$ 3,297,320 |
| Deeds Excise % of Budget | 119.9% | 50.4% | 45.4% |
| Technology % of Budget | 7.0% | 92.7% | 27.1% |
| Bristol County | | | |
| Deeds Excise Fund Balance | \$ 2,496,104 | \$ 1,809,520 | \$ 2,335,456 |
| Technology Fund Balance | \$ 2,335,493 | \$ 1,087,532 | \$ 577,975 |
| Budget Expenditures | \$ 3,334,214 | \$ 3,024,983 | \$ 2,707,028 |
| Deeds Excise % of Budget | 74.9% | 59.8% | 86.3% |
| Technology % of Budget | 70.0% | 36.0% | 21.4% |
| Plymouth County | | | |
| Deeds Excise Fund Balance | | | |
| Technology Fund Balance | \$ 1,385,438 | \$ 2,111,640 | |
| Budget Expenditures | \$ 2,248,587 | \$ 2,578,091 | \$ 2,871,545 |
| Deeds Excise % of Budget | | | |
| Technology % of Budget | 61.6% | 81.9% | |

2. Deeds Excise and Equipment and Technology Fund Balances

Findings

- Norfolk County's Deeds Excise fund balance has grown substantially since FY 2009. The percent of fund balance to its budget has also increased correspondingly. The FY 2019 fund balance is excessive (a) compared to the other counties and (b) compared to GFOA's best practice for having a fund balance to operating budget ratio of 15%.
- Norfolk County's Technology fund balance has fluctuated over the years. Its FY 2019 fund balance as a percent of budget is lower than the other two counties and falls within GFOA's standard.

Recommendation

- The Register of Deeds should spend down the Deeds Excise fund balance to a more acceptable level.

14. Registry

3. DOR Reporting

Findings

- The Registry prepares monthly reports using the Department of Revenue Excise and Licensing Bureau Reporting form. We have reviewed these reports from FY 2017 – 2021 and have summarized the last three years on the following table. These reports must be filed not later than the 10th of the month following that for which report is made.
- In each of the last three years these reports were signed by the Register by the 10th day of the following month.
- We note that the Community Preservation Surcharge transactions were not reported for December 2019 and January 2020 (in FY 2020).
- Registry receipts reported to the state over the three-year period grew substantially.

14. Registry

4. Plan Room Organization

Finding

- The plan room operation is very similar to the Scanning department's operation with the only difference being that the Plan Room handles plans and Scanning handles normal size documents.
- The Plan Room has one administrator, Director of Administrative Services supervising one Principal Clerk.
- The Plan Room's Director of Administrative Services has a secondary role, away from the Plan Room, monitoring press clippings for the Registry. He has experience in public relations in his previous position with the Norfolk Sheriff's Department.

Recommendation

- We recommend that the Plan Room, as a department, be eliminated and merged into Scanning. The Plan Room Principal Clerk would become part of the Scanning staff under the Head Administrative Clerk of Scanning. Given that the Plan Room does not have a backlog and Scanning does, the Plan Room Principal Clerk can help reduce the backlog.
- We recommend that the Plan Room's Director of Administrative Services be reassigned to the Customer Service department where his clipping's role and public relations expertise may better fit. This would allow for elimination of a management position in Customer Service.

14. Registry

5. Customer Service

Finding

- Customer Services performs community outreach, to inform Norfolk County residents of the services provided by the Register of Deeds.
- In a normal year, they spend about 80% of their time on community outreach and about 20% of their time servicing customers at the Registry, answering phone calls and responding to mail and email requests.
- Customer Services visits each of its member community's town or city hall at least once a year. However, this outreach is not coordinated with the County's regional services initiatives.

Recommendation

- We recommend the Director of Customer Services and the Assistant County Director discuss the coordination of the Register's community outreach initiatives with the County's regional services efforts.

14. Registry

6. Lack of Printers

Finding

- Scanning lacks printers. There are four people sharing one printer. Many times, printed copies are intermingled with other documents which causes inefficiencies.

Recommendation

- We recommend the Register procures printers to provide a more efficient way of printing documents.

14. Registry

7. Document Verification is 6 to 8 Weeks Behind

Finding

- The initial recording is current. All documents received must be recorded on the day received.
- Scanning is performed on day 2, All documents must be scanned by day 2.
- Verification currently takes 6 to 8 weeks to complete that process. As of this writing, documents scanned on August 2, 2021, were being verified.

Recommendation

- We recommend the Register develop a plan to address the verification backlog.

14. Registry

8. Reporting Relationships

Finding

- Reporting relationships are generally clear at the department level.
- Reporting relationships between departments to upper management is not as clear, particularly with reporting to the First and Second Assistant Registers.

Recommendation

- We recommend the Register publish a table of organization that provides clear reporting relationships.

14. Registry

9. Operational Review Issues

Finding

- We issued 46 Job Analysis Questionnaires (JAQs) to Registry staff. We received 16 completed JAQs, a 35% return rate, far below our normal 80% response rate in other operational reviews we conducted. We rely on the JAQ to provide critical employee input to the operational review process. We wonder why the response rate was so low. From the input we have received, we sense a degree of staff dissatisfaction, an atmosphere of micromanagement where there is little incentive to perform well.
- We also note that different managers have different FY 2022 salaries, with different spans of control.
 - The Head Administrative Assistant (Recording and Data Processing) earns about \$79,000 and supervises 15 clerks.
 - The Director of Administrative Services (Plan Room) earns about \$89,400 and supervises one clerk.
 - The Director of Support Services (Customer Services) earns about \$87,600 and supervises two clerks.

Recommendation

- We recommend an independent study be conducted to look at individual performance, and Registry staff morale and satisfaction to see if this is a systemic issue or expressions of a few employees. This study should also look at classification issues to address the salary and span of control noted above.

14. Registry

SUMMARY

- The Registry processes an incredible number of documents and generates significant revenues for the County.
- The housing market and low interest rates have resulted in larger volumes of documents particularly deeds and refinancing.
- The tables of organization are not necessarily clear particularly the reporting relationships to upper management.
- Registry salaries, staffing, and management positions are higher than most if not all other registries analyzed.
- Document processing results are lower than other registries based on several metrics. The Registry and the County would benefit from a classification and benchmarking analysis as described herein.

15. Treasury

We will be presenting Treasury in two sections:

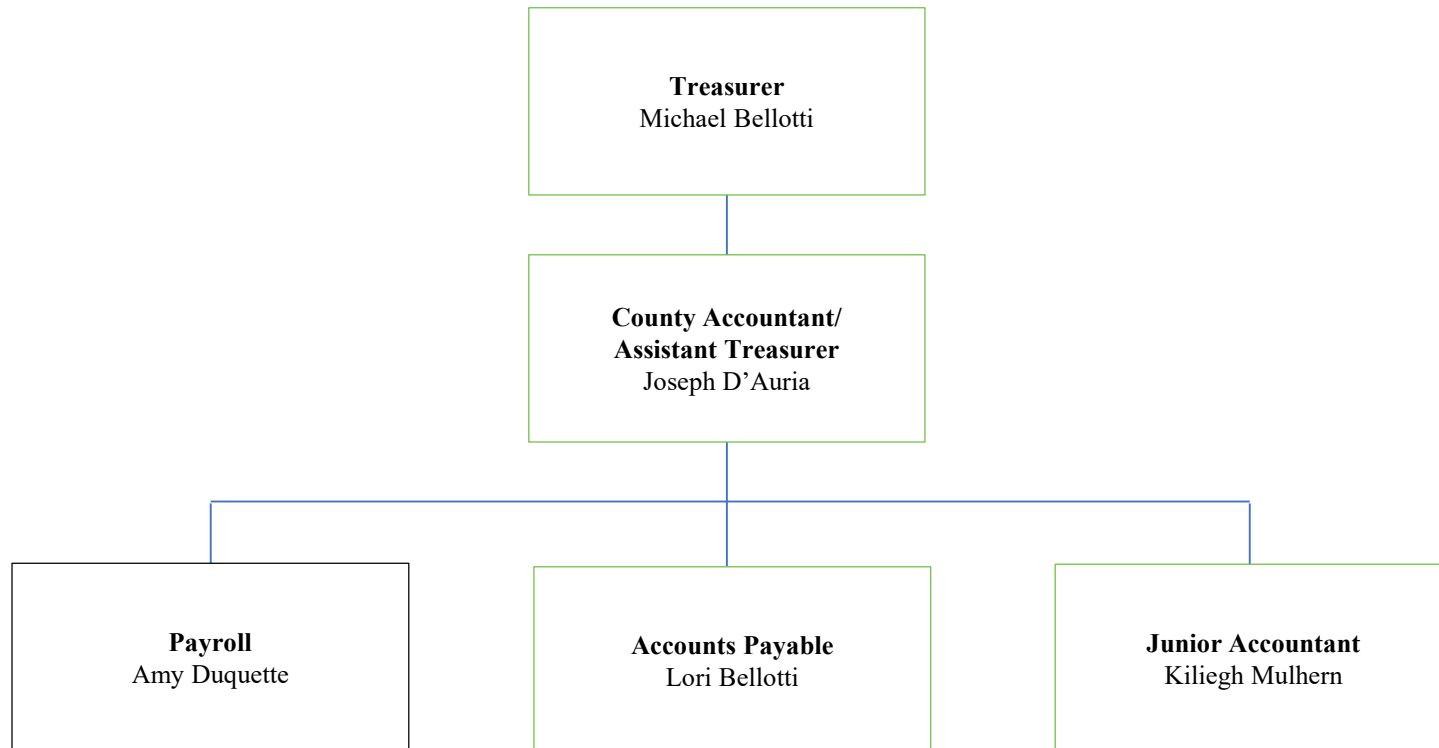
1. Treasury Operations
2. Management Letter Comments

15. Treasury

| Norfolk County | | | Bristol County | | | Plymouth County | | |
|---------------------------------|-------------------------|------------------|---------------------------------|-------------------------|------------------|---------------------------------|-------------------------|------------------|
| Code | Account | | Code | Account | | Code | Account | |
| 1 | Personal Services | \$ 528,793 | 1 | Personal Services | \$ 368,305 | 1 | Personal Services | \$ 373,597 |
| 2 | Contractual Services | \$ 24,350 | 2 | Contractual Services | \$ 59,000 | 2 | Contractual Services | \$ 49,750 |
| 3 | Supplies & Materials | \$ 6,400 | 3 | Supplies & Materials | \$ 6,200 | 3 | Supplies & Materials | \$ 7,500 |
| 4 | Current Charges & Oblig | \$ 11,275 | 4 | Current Charges & Oblig | \$ 7,150 | 4 | Current Charges & Oblig | \$ 2,750 |
| 5 | Equipment | \$ 4,000 | 5 | Equipment | \$ 3,000 | 5 | Equipment | \$ 1,500 |
| Total Treasurer's Office | | \$574,818 | Total Treasurer's Office | | \$443,655 | Total Treasurer's Office | | \$435,097 |

- The Norfolk County's Treasurer's office has one more staff than Plymouth County and the same number of positions as Bristol County.
- Norfolk County Treasury spends more in personal services than the other two counties. Since the Benchmarking exercise, the Records Compliance Officer position was eliminated as part of the FY 2022 budget.
- Norfolk County's salary scale is higher than the other two counties. Other costs are in line with the other two counties.

15. Treasury



15. Treasury

7 Findings and recommendations dealing with technical accounting issues and some finance issues

1. Annual Comprehensive Annual Report – the County should prepare an ACAR, the best practice in financial reporting and should strive for the GFOA Excellence in Financial Reporting Certificate over the next three years.
2. General Fixed Assets Account Group (GFAAG) - the County should include a GFAAG in its accounting records
3. General Long-Term Debt Account Group (GLTDAG) - the County should include a GLTDAG in its accounting records
4. Prior Year Unappropriated General Fund Balance - the County should develop a certification process for the prior year unappropriated fund balance

15. Treasury

7 Findings and recommendations dealing with technical accounting issues and some finance issues (Cont'd)

5. Cash Flow – the monthly cash flow report to the County Commissioners can include more updated information if the registry and NCAHS can expedite the reporting of monthly revenues
6. Succession / Cross Trainings – similar to other departments, to develop a cross training program particularly with the County Accountant to retire in a few years.
7. Vendor Payment – the County should utilize vendor electronic payments to improve the efficiency of the payment process.

15. Treasury

Treasury Summary

- The Treasurer's office staffing is reasonable particularly for internal control purposes. Various accounting functions are properly segregated. Controls over cash receipts are a work in progress. Treasury salaries are on the high side when compared to Bristol County particularly and higher than Plymouth County.
- The County has opportunities to strengthen its internal controls, maximize the use of the existing iV software to reduce its dependence on manual processing and increase automated processing, and create new and strengthen existing financial policies.
- Many of these enhancements have been accomplished with the current software while others will require additional iVisions functionality and training.

15.Treasury

Part 2

Management Letter Comments

15. Treasury

Management letter comments

| Management Letter Comment | FY Ending June 30th of | | | |
|--|------------------------|------|------|------|
| | 2016 | 2017 | 2018 | 2019 |
| Capital Asset Inventory (Material Weakness) | 1 | R | | |
| Financial Reporting System (Significant Deficiency) | 2 | 15 | 26 | 35 |
| Registry of Deeds Decentralized Cash Accounts | 3 | 16 | 27 | 36 |
| Implementation of documented financial policies and procedures | 4 | 17 | 28 | 37 |
| Compensated Absences | 5 | 18 | 29 | 38 |
| Agricultural High School Student Activity Accounts | 6 | 19 | R | |
| Grant Activity | 7 | 20 | 30 | 39 |
| Encumbrances | 8 | 21 | 31 | 40 |
| Online Registry Payments | 9 | R | | |
| OPEB Trust Fund | 10 | 22 | R | |
| Authorized and Unissued Debt | 11 | 23 | 32 | 41 |
| Independent Contractors | 12 | R | | |
| Cash Receipts | 13 | 24 | 33 | 42 |
| Payroll Records | 14 | 25 | 34 | 43 |
| Note - R means resolved | | | | |

- There are 14 management letter comments many of which have repeated year-after-year.
- Our recommendations address each of these comments.
- The County should see a reduction of management letter comments starting with the FY 2021 audit.

15. Treasury

1. Capital Asset Inventory (#1)

Issue

- As part of the audit, the independent auditors reviewed the capital asset inventory maintained by the County and found that these records contained material inaccuracies.
- This finding has been reported as a material weakness.

Status

- The independent auditors reviewed the County's capital assets inventory as part of the FY 2017 audit without a finding related to capital assets inventory.
- The County Accountant developed a fixed asset inventory in Excel, organized by department.
- The County Accountant annually sends a copy of the inventory to each department asking for updated purchases or disposals.
- This issue was resolved.
- However the County needs to be diligent to maintain these procedures and can integrate the fixed assets inventory into the capital planning and budgeting process.

15. Treasury

2. Financial Reporting System (#2, #15, #26, #35)

Issue

- The County does not fully utilize its computerized financial reporting system and relies on a decentralized reporting system to maintain its accounting records.
- This has been reported as a significant deficiency.
- The decentralized financial reporting system relies upon activity being posted to a spreadsheet from the monthly activity generated by the computerized system.
- The independent auditors recommended the County work towards eliminating the use of its decentralized reporting practices and solely utilize the computerized accounting software for all financial reporting.

Status

- Infinite Visions provided cash management training this year to Treasury, as Treasury is the only department using that module.
- This training included automated bank reconciliations and clearing checks in the iVisions system which directly addressed the management letter comments.

15. Treasury

3. Registry of Deeds Decentralized Cash Accounts (#3, #16, #27, #36)

Issue

- The independent auditors noted the Registry of Deeds is maintaining certain decentralized cash accounts (postage, online). These accounts are not currently in the custody of the County's Treasurer.
- The bank accounts are in the County's federal identification number and as such are required to be in the custody of the County's Treasurer in accordance with Massachusetts General Laws, Chapter 35, Section 27A.
- Furthermore, the activity within these accounts relates directly to the operations of the County.
- The independent auditors continue to recommend the custody of these accounts should be turned over to the County's Treasurer and reported in the general ledger. Any disbursements from these accounts would then go through the County's normal warrant process as provided by MGL, Chapter 35, Section 10.

15. Treasury

3. Registry of Deeds Decentralized Cash Accounts (#3, #16, #27, #36)

Status

- Plymouth County does not have any management letter comments.
- Their last management letter comment was around nine years ago.
- Back then, they did have a finding that the Register of Deeds accounts were not under the custody of the Treasurer, similar to Norfolk County's management letter comment.
- Plymouth County addressed this issue by having the Register and the Treasurer co-sign on the Register's accounts.
- Thus the Register and the Treasurer co-sign on every check so the Register can see how the Register's accounts are to be spent.
- Given the fact that the number of monthly checks is minimal, this was an acceptable solution in Plymouth County.
- We recommend the same for Norfolk County.

15. Treasury

4. Implementation of Documented Financial Policies and Procedures (#4, #17, #28, #37)

Issue

- Currently the County does not have formally documented internal control policies as intended under the standards.
- The auditors continue to recommend the County begin developing a strategy to implement internal control policies and procedures.

Status

- As part of the Operational Review and Best Practices Review, The Abrahams Group developed documented financial policies.
- The draft of the financial policies has been reviewed by the Finance Committee of the Advisory Board. The Finance Committee endorsed the policies with two changes and recommended the Financial Policies be sent to the full Advisory Board. We presented the financial policies to the County Commissioners last month.
- Once finalized, the financial policies will need to be implemented and procedures and related forms will need to be developed. The County will need assistance implementing the policies and developing procedures and related forms. Refer to the Financial Policies document for further detail.

15. Treasury

5. Compensated Absences, (#5, #18, #29, #38)

Issue

- The independent auditors reviewed the records maintained to report and track the compensated absences balances at year-end.
- The auditors determined that the schedules are maintained manually for each department and recommended the County incorporate compensated absence tracking and reporting into the computerized accounting system to allow for systematic reporting of the year-end liability.

Status

- Most departments' leave information in the system are up to date, the NCAHS data is not.
- The departments have been trained on how to track leave time in the IV system and everyone except for the school is doing this to date.
- Two issues:
 1. All department data need to be in the iVisions system. NCAHS needs to input their data into iVisions. That would eliminate the management letter comment.
 2. Second, implementing the Employee Self Service portal will allow employees to request leave and to track their leave balances. The County has purchased this portal but has not implemented the portal. The County will have the ability to track compensated absences. Training to department staff was provided.

15. Treasury

6. Agricultural High School Student Activity Accounts (#6, #19)

Issue

- The independent auditors noted the student activity accounts for the Agricultural High School were not included in the County's accounting records.

Status

- These accounts were added to the County's financial records in FY 2018. The independent audit firm considered this issue resolved.

15. Treasury

7. Grant Activity (#7, #20, #30, #39)

Issue

- The County records all grant activity within the general fund and requires adjusting journal entries to properly reclassify the activity into special revenue funds at year-end.
- While the County's intent of maintaining formalized approval and monitoring processes is sound, the auditors believed that to properly record this activity in accordance with generally accepted accounting principles, all grant funds should be accounted for separately within the accounting records.
- The auditors recommended that the County review the practice of budgeting and accounting for expenditures to be reimbursed by grants within the general fund to ensure adherence to generally accepted accounting principles.

Status

- The Treasury Department receives grant revenues through electronic payments from the Commonwealth. These receipts are automatically recorded in a general fund bank account.
- Treasury then journalizes the accounting entry reducing the general fund cash and crediting the due/to due/from account. Treasury also credits revenue to the grant and debits the due to/due from account.
- At the end of the month, Treasury moves the cash to the proper grant fund and reverses the due to/due from accounts.
- The Treasurer's Department believes this procedure is proper and easier to transact than to change the Commonwealth's electronic payment system. The Treasurer's Department plans to appeal to the independent auditor's professional judgement on this issue.

15. Treasury

8. Encumbrances (#8, #21, #31, #40) (Included in the Purchasing Section)

Issue

- This management letter comment has appeared in the last four management letters.
- In order to encumber funds, a liability must have been incurred during the fiscal year by a purchase order, contract, or salary commitment that is chargeable to the appropriation made for that year's expenses.
- In a case where services will be performed entirely in the following fiscal year, a department's current year appropriation cannot be encumbered.
- The independent auditors recommended that County officials carefully review each encumbrance request to ensure a contractual commitment exists and avoid encumbering funds based on the receipt of a quote or estimate for goods or services without evidence of acceptance or contractual obligation.

Recommendation

- As part of the financial policies, the Purchasing Department will ensure that each encumbrance request relates to a contractual commitment. That means that an encumbrance must be for a good or service that has been ordered. The County will avoid encumbering funds based on the receipt of a quote or estimate for goods or services without evidence of acceptance or contractual obligation.
- In addition, the Financial Policies require that any outstanding purchase order as of June 30th shall be rescinded if not liquidated by August 31st of the following fiscal year. Refer to the Financial Policies, Section 3.7 for further detail. The County will need to be diligent to resolve this issue.

15.Treasury

9. Online Registry Payments (#9)

Issue

- During the review of the cash accounts reported by the County, the independent auditors noted a variance of approximately \$33,000 in the depository account between the reconciled bank balance and the balance reported in the general ledger.
- These payments were related to online registry payments that were recorded in the general ledger. However, the cash was not actually received.
- The auditors recommended the County review the procedures and practices in place regarding the online registry payments to ensure the amounts reported in the general ledger reflect the activity that has taken place.

Status

- As part of the independent auditors FY 2017 review of the County's cash accounts, the auditors did not note any variances.
- Thus, this issue is considered resolved.

15. Treasury

10. OPEB Trust Fund (#10, #22)

- **Issue**
- The County has established an OPEB trust fund that has been funded annually. The total contributions to the trust fund as of June 30, 2016, total \$475,000.
- The funds have been invested in accordance with the Trust Agreement.
- The investment account has not been adjusted to report the balance at fair market value in the County's accounting records.
- An audit adjustment was made to accurately reflect this investment at fair market value at year-end. The auditors recommended that the County implement procedures to adjust the OPEB investment account on a quarterly basis, at a minimum, to properly report the balance throughout the fiscal year and at year-end.

Status

- As of June 30, 2018, the County's general ledger reported the correct balance in the OPEB investment account.
- Thus, this issue is considered resolved.

15. Treasury

11. Authorized and Unissued Debt (#11, #23, #32, #41)

Issue

- The independent auditors reviewed the most recent bond offering statements, board meeting minutes, and prior audited financial statements to determine the County's debt authorizations that remain unissued.
- They found discrepancies between the amounts reported in the prior audited financial statements when compared to the amounts noted within the bond offering statements issued in 2012 and 2016.
- Inquiries were made, but the variances remained unresolved at the conclusion of the audit work.
- The independent auditors recommended the County review their records and prepare a schedule of their authorized and unissued debt and regularly update it, as necessary, based on new authorizations, borrowings, or rescissions for inclusion in the audited financial statements.

Status

- This issue has been addressed in the Financial Policies. The County's Accountant will periodically reconcile the County's bonds payable and authorized but unissued debt maintained by the County Treasurer to the general long-term debt account group. Refer to the Financial Policies, section 3.4.2 for further detail.

15. Treasury

12. Independent Contractors (#12)

Issue

- The independent auditors reviewed a sample of vendors to determine if the County had properly issued 1099s in accordance with Internal Revenue Service requirements.
- They found four instances where the County had not issued 1099s to vendors that should have received them.
- The auditors recommended that the County review the procedures in place regarding the setup and tracking of vendors that are 1099-eligible to ensure compliance with Internal Revenue Service regulations.

Status

- As part of the FY 2017 audit, the independent auditors again reviewed the County's forms 1099-MISC, and all appeared to have been issued in accordance with IRS regulations.
- Thus, this issue is considered resolved.

15. Treasury

13. Cash Receipts (#13, #24, #33, #42)

Issue

- The independent auditors noted that there is a lack of segregation of duties regarding cash receipt processing.
- One individual is responsible for the collection of funds, the deposit of funds, and the subsequent posting of these funds to the general ledger.
- Financial recording and reporting duties should be segregated to allow proper internal controls over financial reporting.

Status

- It is a challenge to segregate duties in a small office to eliminate the “one person doing all the functions”. The Clerk receives the cash, posts cash to the general ledger and reconciles bank statements. That is an internal control issue.
- To address this issue, Treasury needed to add other layers of internal control. Treasury has started to train the Accounts Payable Clerk to do the bank statement reconciliations and other cash related functions to address the internal control issue.
- In addition, the County Accountant runs revenue and cash reports to prove out and reconcile cash. Any variance is reviewed with staff.
- Thus Treasury has added levels of internal control that may satisfy the external auditors. Treasury may be hiring a part-time administrative assistant who may be able to assist in addressing the internal control issue.

15. Treasury

14. Payroll Records (#14, #25, #34, #43)

Issue

- The independent auditors reviewed a sample of payroll transactions for propriety. For each transaction reviewed, they looked to verify each of the payroll deductions withheld for the employee.
- They were unable to verify the propriety of the health, dental, and life insurance withholdings for the employees selected as their enrollment forms were not available for the auditor's review.
- They recommended the County review the practices in place regarding the recordkeeping for employee payroll deductions to ensure the records are complete.

Status

- Payroll records contain many data points, including position, pay, deductions, and leave. The Human Resources Department provides to payroll staff deductions to be set up for the employees.
- Payroll staff inputs the deduction information in the system. County staff is not double checking the deduction information inputted into the system, something that should be done and something that the Human Resources Department should do.
- The iVisions software enhancements should provide a solution for this issue.

15. Treasury

Management Letter Summary

- Many of the management letter comments have been addressed with action tasks completed during FY 2021. While these tasks have been or are being implemented, the management letter comments will reoccur for FY 2021 due to the timing of the implementation of many of the comments. The County should see the resolution of many, if not all of the management letter comments addressed herein by FY 2021 and the balance by FY 2022.
- Financial policies have been written, the iVisions system has additional functionality, and training has been provided to staff to address these issues.
- The County will need to monitor these enhancements and policies. We suggest the County engage Infinite Visions to conduct follow-up sessions to see how well the recommendations are consistently being used.

16. Summary

This Report completes our work for Norfolk County. We were asked to conduct a best practices review, financial management, and operations analysis and to assist the County with establishing financial policies, financial forecasting, and a long-term capital improvement plan. The five scope areas identified by the County Commissioners were:

1. Multi-Year Financial Forecasting
2. Financial Management Best Practices Review and Establishment of Financial Policies
3. Capital Planning Processes and Procedures
4. Regional Services Review
5. Operations and Staffing Analysis

16. Summary

This Report, approximately **200 pages** with over **100 recommendations**, and the previous deliverables are comprehensive, addressing many operational and financial issues. We offer a list of final thoughts for the County to consider:

- The County should be commended for initiating this study. By nature of this type of review the results can be seen negatively. On the other hand, this analysis can provide a strategic direction for the County to implement our recommendations to improve the efficiency and effectiveness of County operations. **It is a statement that the way the County has conducted business in the past will change.** In fact, many of the recommendations in our Report and in our previous deliverables have been implemented.
- We have identified many recommendations for the County to implement. These recommendations will require time and commitment both from a financial and personnel viewpoint. The Advisory Board recently funded the iVisions initiatives identified in our Report. **This is a statement of the financial commitment to move the County forward.** But these efforts will require personnel commitments to implement these changes.

16. Summary

- We are recommending a **transformation of the human resources function**. Of all the operational reviews we have conducted, Norfolk County ranks first in manual processing, none more than human resources. The transformation is from manually intensive processes to a fully automated system as previously described. It will take time and effort to set up EPARs, on boarding and the self-access portal. It will take time to train employees to access this information through the portal and learn how to request personnel changes and leave requests. We also noted that the County should provide the Human Resources Director additional support. We also noted that the County Handbook is being updated, and will need further updating based on our recommended changes.
- We see a **transformation of the budget document** from a process based on inputs and incremental budgeting to an annual policy statement based on county wide goals, department goals and linking dollars to results. This too will take time for the County to develop goals, performance measures to track results, and a data system to capture and report the results. We see a budget document that meets the GFOA and ASBO criteria and receives the meritorious awards from these agencies. We see more informed budget decisions based on data.

16. Summary

- We see a set of financial improvements including **financial policies, a capital planning and budgeting tool, and a financial forecasting methodology**, all of which gives the County a platform to improve financial performance, a first for Norfolk County. The County should develop a financial manual to document the procedures and forms to implement the financial policies. This manual should encompass the iVisions enhancements.
- We have provided the first set of **County wide and department organizational tables**.
- We have **benchmarked** Norfolk County to Bristol and Plymouth counties. We hope the County will continue this initiative by including comparisons as part of the budget process. We believe this provides a more informed budget.
- We have **benchmarked** Norfolk County Registry operations to Bristol and Plymouth counties and document processing to 13 State registries. We hope the County will continue to benchmark Registry operations to other counties in order to identify addition efficiencies.

16. Summary

- We have identified recommendations that address the **management letter comments**. The County should see the reduction in a number of these comments by FY 2021 and the rest by FY 2022.
- We see a County that provides **regional services** to its member communities that are satisfied with County services, that rated these services very high and are eager to have the conversation with the County for expanded services.
- We have identified a number of **operational cost savings and revenue enhancement** opportunities that should over time, through attrition and the implementation of financial policies, help the County achieve a more balanced budget where operating revenues finance operating expenditures without relying on prior year surpluses.

16. Summary

We wish to thank the County for the opportunity to assist in this effort and express our gratitude to County staff for their input and cooperation.