To: Scott Szczebak, Town Administrator

From: Division of Local Services, Financial Management Resource Bureau
Kasey Bik, Project Manager
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Date: November 18, 2025

Re: Finance Operations

The Division of Local Services' (DLS) Financial Management Resource Bureau (FMRB) conducted an in-person training and financial operations review for the Town of Southampton's financial management team, focusing specifically on the Treasurer/Collector's office. The primary goal was to assess internal controls, departmental coordination, and the adequacy of current financial management procedures during a time of transition. The review also aimed to better understand workflows, communication between financial offices, and compliance with municipal best practices. The review involved meetings with the town administrator, town accountant, assistant town accountant, interim treasurer/collector, assistant treasurer/collector, and school officials from the Hampshire Regional School District Central Office.

The Town of Southampton's financial offices have experienced staffing transitions, many of which remain in flux. The town administrator was appointed by the select board in January 2024. Following the departure of the elected treasurer/collector this past July, an interim has been appointed until the question of converting the position to an appointed position is brought to the 2026 town meeting and then submitted for voter approval at the 2026 town election, following the process outlined in M.G.L. Chapter 41, Section 1B. The assistant treasurer/collector has also only been in the role since June 2024. Similar turnover has occurred in the accounting office, with the town accountant appointed in the fall of 2021 and the assistant accountant joining in 2022. These changes, coupled with the absence of written procedures, have contributed to delays in reconciliations and inconsistencies in financial reporting.

Southampton's William E. Norris Elementary School, serving grades K-6, is funded entirely within the town's annual operating budget. For grades 7-12, the town is part of the Hampshire Regional School District (HRSD), which includes the towns of Chesterfield, Goshen, Westhampton, and Williamsburg.

Although Norris Elementary is funded directly by the town, the HRSD superintendent's office operates as a central office to the regional high school and the four town elementary schools. This Central Office provides administrative support, such as payroll and invoice processing, to the individual elementary schools. Budgetarily, Southampton is fiscally responsible for the total operational cost of the Norris Elementary, as well as regional assessments for Hampshire Regional High and the district's Central Office. Like the town offices, the Regional Central Office has experienced significant turnover in recent years, which has contributed to the current financial management challenges.

The town recently converted its financial software from SoftRight to VADAR. The system conversion took two years, with FY2025 being the first full fiscal year using the VADAR system. The town continues to adjust the system setup, including reviewing the chart of accounts and vendor codes. Payroll is processed through the Treasurer/Collector's Office using Harpers Payroll Services.

Separate from the Town software, HRSD utilizes Tyler Technologies' Infinite Visions. This software supports payroll, employee onboarding, and accounts payable processing specifically for Norris Elementary. Some of the recommendations in this report address opportunities to enhance integration between VADAR and Infinite Visions and improve coordination of accounting and treasurer/collector processes across town departments and the central office.

Convert Elected Treasurer/Collector Position to Appointed

We recommend Southampton convert the treasurer/collector to an appointed position. Across the Commonwealth, the majority of cities and towns have made this transition to improve accountability and long-term consistency in financial management.

Like accountant and assessor positions, the treasurer/collector is a core pillar of financial operations and that requires specific skills and qualifications to succeed in this role. Appointing this position allows town officials to thoroughly vet and select candidates based on professional credentials and relevant experience.

The town is currently operating with an interim treasurer/collector until the 2026 annual town meeting, with plans to include the proposed change of the position from elected to appointed as a warrant article under the process outlined in Massachusetts General Laws Chapter 41, Section 1B. This statute requires a town meeting vote to place the question on the ballot for the next annual election, allowing voters to decide whether to convert the position from elected to appointed. We encourage town officials to engage the public throughout this process to ensure effective communication and voter support.

Formally Define Central Office Role

While the Norris Elementary school is funded and operates as a town department, the HRSD Central Office provides crucial support for school accounts payable processing, payroll, and employee administration. This Central Office is part of the Hampshire Regional Schools Group (HRSG), an association that includes Southampton, Westhampton, Williamsburg, Chesterfield-Goshen Regional, and Hampshire Regional School Districts. As stated in the HRSG agreement, this group is “neither a regional district nor a superintendency union, and state regulations do not directly address the governance of such an association”. While the current agreement outlines the group’s membership and duties, it lacks any specific language regarding the relationship between the Central Office and the individual elementary schools or the member communities.

We recommend the Town and the Regional School District formally define the division of tasks and responsibilities between the Central Office and the town’s financial offices. Similar to an inter-municipal agreement, this document should identify processes that involve the town and school district offices, outlining the delegation of procedural steps and information distribution.

By codifying roles and responsibilities through an agreement, the town and school district can formally organize core financial duties while ensuring appropriate internal controls and risk mitigation. We recommend this agreement should include the following areas of financial management:

- Payroll and Benefits Processing
- School Employee Onboarding, Offboarding, and Recordkeeping
- Accounts Payable Processing
- Grant Management

A formal agreement will strengthen accountability, internal controls, and compliance with statutory requirements, while clarifying oversight for all financial transactions related to the elementary school. It will also provide a foundation for streamlining and modernizing data sharing between financial systems.

Currently, most financial data is conveyed from the Central Office to the town through PDFs or Infinite Visions system reports. This leads to redundant manual data entry for treasurer/collector and accounting staff who must input information into town's VADAR software. The town should research system compatibility between Infinite Visions and VADAR, with the specific goal of achieving system-to-system file exports and uploads. The ability to upload detailed reports will reduce manual data entry and ensure town offices are receiving the financial information necessary to fulfill their statutory obligations regarding oversight, reporting and internal controls.

If direct system capabilities are unavailable, the town may consider using VADAR's Remote Payables module. This module would allow school staff to enter payables remotely for review and approval by the accountant's office. The resulting data could then be exported back to Infinite Visions, providing both systems with the vendor detail necessary for accurate reporting and reconciliation. Over time, as account structure management improves, the accountant will be able to produce detailed reports directly from VADAR for the central business office, supporting accurate year-end reporting and transitioning the current workflow so that financial processing begins within the town's accounting office.

<u>Improve Interdepartmental Reconciliation</u>

We recommend the treasurer/collector reconcile the cashbook and outstanding receivables monthly. Employee turnover and the prior software conversion have delayed the timeliness of

financial reconciliations. Currently FY2024 cashbook records are still being balanced. Additionally, outstanding receivable reconciliations have historically been done only at fiscal year-end, and the FY2024 receivables still need to be reviewed and finalized. As a best practice, DLS encourages treasurer and accountant to balance outstanding receivables on a monthly basis, or quarterly at minimum. Current staff are making a focused effort to complete the reconciliation backlog and move forward with a monthly reconciliation schedule.

School Department Invoice Processing

Currently, the HRSD business office processes accounts payable warrants for the town's elementary school and prints the school's vendor checks. These procedures do not align with statutory requirements or best practices in municipal finance.

Under Massachusetts General Law Chapter 41, Section 35, the treasurer is the sole custodian of municipal funds and must maintain complete control over the community's checks. Allowing them to be printed outside of the treasurer's office exposes the town to risk of unauthorized payments. Furthermore, Massachusetts General Law Chapter 41, section 56, requires the town accountant and select board to approve all warrants for payroll and expenses. In addition, the accounting office is responsible for reporting 1099-MISC and 1099-NEC data for all vendor payees to the Internal Revenue Service. If the school's vendor checks are not processed through warrants created in the town's accounting office, the town risks incomplete or inaccurate reporting. Finally, the general ledger codes used by the business office do not align with the town accountant's chart of accounts, which results in mismatched accounts and reconciliation challenges.

We recommend that the town update the VADAR user profiles of business office staff to remove the permission to run check printing jobs and ensure that only the user profiles of treasurer staff include those permissions. We further recommend that all elementary school invoices be submitted to the town accountant for payment to further improve efficiency and ensure compliance with accounting standards. The town should integrate the school's accounts payable activities directly into the town's general ledger using the VADAR Remote Payables Module, as previously mentioned.

Consistent with guidance from the Massachusetts Municipal Auditors' and Accountants' Association (MMAAA) and the Massachusetts Collectors and Treasurers Association (MCTA), all vendor payments should be processed through the town's accounting software with complete vendor information to ensure accurate and comprehensive 1099 reporting. Integrating the school's payable data into VADAR will enable the accountant to fulfill these statutory and

professional responsibilities, maintain consistent vendor coding across departments, and support timely and accurate financial reporting.

Town Accountant Operational Improvements

The town accountant plays a critical role in maintaining accurate financial records and ensuring all revenues and expenditures are examined and approved in accordance with Massachusetts General Law. These responsibilities extend to all municipal and school department expenditures, even when the school maintains its own financial management system. Current procedures limit the accountant's ability to independently verify the completeness and accuracy of financial information. This has contributed to redundant data entry, lack of detailed recordkeeping, and delays in reconciliations.

To strengthen internal controls and improve overall financial management, the accounting office should take a more active role in reviewing and reconciling information prior to posting. Establishing clear procedures and review points will help ensure that accounting system data is consistent, accurate, and aligned with applicable reporting requirements. We recommend the accountant focuses on building capacity and structure around the following areas:

Chart of Accounts Management - Southampton converted to the VADAR accounting system for FY2025 using a previously designed chart of accounts. While this framework generally conforms to Uniform Massachusetts Accounting System (UMAS), there are legacy accounts and inconsistent numbering that have led to reporting inefficiencies and difficulties reconciling cash and fund balances. We recommend the town undertake a comprehensive review and reorganization of the chart of accounts, verifying the purpose, funding source, and expenditure restrictions for each account. This review should also ensure that school department accounts are detailed enough to support accurate expense classification and reporting under DESE requirements. A well-organized chart of accounts will:

- Improve reporting capabilities.
- Allow for clearer tracking of grant and revolving funds.
- Enhance the town's ability to analyze expenditures by program and funding source.
- Simplify year end reporting to DESE and DOR.

The accountant should also identify inactive or obsolete special revenue and trust accounts, determine whether balances remain valid, and take appropriate steps to close or repurpose them in accordance with statutory requirements. For any remaining accounts with unspent

balances or unclear purposes, the accountant should research available documentation to determine intent. If the purpose cannot be verified, the town should consult with legal counsel and proceed under fund-closing guidance outlined in Massachusetts General Law and relevant DLS accounting advisories.

General Grant Management - The town currently manages numerous grant and special revenue accounts that have not been properly documented, reconciled, or closed in a timely manner. During discussions with local officials, it was noted that several departments have historically recorded grant receipts and expenditures in incorrect accounts, and in some cases, have expended funds before confirming that grant revenues were available or reimbursable. Older special revenue accounts remain active despite projects being completed, and in many instances, there is limited or no documentation linking the account to the original award or purpose. This has created significant administrative inefficiencies and accounting challenges as the town now seeks to dispose of, transfer, and rectify inactive or improperly maintained accounts.

In addition, issues have arisen when a separate revenue and expenditure account is not established for each individual grant or gift received. Without this structure, financial activity becomes difficult to track and reconcile, leading to inaccurate reporting and potential misclassification of funds. In some cases, departments have requested the setup of expenditure accounts prior to submitting an official award letter, grant agreement, or other confirming documentation. When accounts are established prematurely, the town risks authorizing expenditures before verifying that funds are reimbursable, resulting in deficits that impact the general fund and reduce free cash certification.

To address these issues and establish a uniform approach to grant and special revenue management, the town should adopt and enforce a written grant management policy modeled after best practices like those outlined in the draft provided by the accounting office. This policy should formally define responsibilities, timelines, and documentation requirements for both grant administrators and accounting staff. To ensure that each grant's life cycle, from award to closeout, is properly controlled and reconciled the policy should require that:

- A grant award letter, contract, or funding agreement must be received and reviewed by the accounting office before any expenditure account is established.
- A separate revenue and expenditure account be created for each grant or gift to ensure clear segregation of financial activity and ease of reporting.

- Departments coordinate with the accounting office at the start of each grant to confirm reporting requirements and reimbursement schedules.
- The Town Accountant with the department head monitor grant account balances regularly to identify deficits and ensure reimbursements are requested within the allowable time frame.
- A grant closeout process be followed for every completed grant, including reconciliation of expenditures, submission of final reports, and formal inactivation of accounts.

Journal Entries - We recommend the accountant implement a standardized review and approval process to ensure adjustments are adequately supported and properly documented. VADAR accounting is designed with a general ledger with control accounts and supporting subsidiary ledgers to hold transaction details. Routine accounts payable, receivable, revenue, and payroll activity are handled through the applicable modules recording the data to both the subsidiary ledgers and summarizing the appropriate general ledger.

To maintain the integrity of the general ledger, manual journal entries should be the exception for any of these processes. Journal entries are appropriate for activities outside the daily transactions, such as:

- Recording year-end reservations based on town meeting actions (e.g. appropriation of free cash).
- Transfers, both interfund (e.g., stabilization to general fund) and intrafund (such as from the finance committee reserve fund to a department's budget).
- Establishing and maintaining account receivable controls (i.e., commitments, abatements, and exemptions).

Journal entries needed for corrections should be documented for historical and audit purposes. All journal entries including expense and revenue corrections should be received by departments on a regular basis throughout the year to align with reconciliations. Delayed journal entries can give inaccurate balances that can lead to misappropriation and deficit spending. Corrections in the general ledger require departments to provide a source document as to why it was posted incorrectly.

Treasurer/Collector Operational Improvements

Through interviews with Treasurer/Collector staff, we discussed opportunities to streamline day-to-day operations and improve financial record-keeping. We encourage the town to review the following:

Departmental Turnovers - We recommend the town implement a standardized departmental turnover form. Standardized forms provide consistency in financial recordkeeping and ensure departmental turnovers include all information necessary for accurate data entry in both the treasurer and accounting department. We further encourage the town to explore current software capabilities for remote turnover submission and processing.

Comprehensive Debt Schedule - We recommend the Treasurer/Collector consolidate all debt amortization schedules into a comprehensive document. This will ensure all debt obligation information is house within a single document, which will better serve annual budgeting and forecasting processes. To assist with this recommendation, DLS offers an excel-based Debt Schedule Template.

Bill Printing & Collection - Real estate, personal property, and water bills are printed and mailed in-house by treasurer/collector staff. We recommend the town consider engaging a third-party vendor to complete this task. Shifting this responsibility to an external party would allow office staff to reallocate their time to higher level job duties. For similar reasons, we further recommend the Treasurer/Collector explore available options for processing mail-in bill payments through a lockbox service.

Check Scanning - We recommend the Treasurer/Collector obtain a check scanner for in-office use. This will allow staff to make same-day bank deposits for checks, which will support more frequent reconciliations.

APPENDIX

Resources

DLS Municipal Training and Resource Center website

Massachusetts Municipal Auditors' & Accountants' Association website
- Western Massachusetts Municipal Auditors & Accountants' Association
- MMAAA ListServe

Massachusetts Municipal Auditor's and Accountants' Association: *Accounting Manual*
UMAS Manual

Massachusetts Collectors and Treasurers Association (MCTA) website
- MCTA ListServe

Massachusetts Collectors & Treasurers Association: *Treasurer's Manual* and *Collector's Manual*

Massachusetts Association of Assessing Officers website

Massachusetts Municipal Association website
- Select Board Association
- Association of Town Finance Committees
- Massachusetts Municipal Managers Association