



# Finance Committee Report

## City of Newton In City Council

**Monday, May 24, 2021**

Present: Councilors Grossman (Chair), Malakie, Humphrey, Kalis, Norton, Gentile, Oliver and Noel

Also Present: Councilors Bowman, Wright and Downs

City staff present: Chief Financial Officer Maureen Lemieux, Comptroller Sue Dzikowski, Deputy Comptroller Stephen Curley, Assistant Comptroller Regina Zegarelli, Chief Operating Officer Jonathan Yeo, Interim Chief of Police Howard Mintz, Chief of Staff for the Department of Public Works Shawna Sullivan, Director of Assessing Jim Shaughnessy, Chief Procurement Officer Nick Read, Treasurer/ Tax Collector Business Manager for the Department of Public Works Jack Cowell and Senior Financial Analyst Perry Rosenfield

**Chair's Note:** *There was a scrivener's error in the account number for the following item which has been corrected and is reflected in the attached draft Council Order.*

### Referred to Public Facilities and Finance Committees

**#198-21      Transfer \$400,000 to the Transportation Network Improvement Program**

HER HONOR THE MAYOR requesting authorization to transfer the sum of four hundred thousand dollars (\$400,000) from FY21 salary savings from the Department of Public Works, Street Maintenance Division Acct# 0140120-511002 Full-Time Wages to Acct #01C401142-579500 Department of Public Works- Transportation Network Improvement Program.

**Public Facilities Approved 8-0 on 05/19/21**

**Action:**      Finance Approved 8-0

**Note:**      Shawna Sullivan, Chief of Staff for DPW presented the request to transfer \$400,000 to the Transportation Network Improvement Program. Ms. Sullivan explained that they anticipate using these funds for roadways with a PCI under 26. A list of these roadways will be provided at a later date.

Committee members asked the following question:

Q: Where did the salary savings come from?

A: Ms. Sullivan explained that there were vacancies this year in the Streets Division. These positions are heavy machine operators which can be positions that are difficult to fill long-term, but the department is working on filling them. There are currently 16 open positions.

Q: Is it typical to have 16 vacancies in this department?

A: Maureen Lemieux, Chief Financial Officer noted that the pandemic did impact the department.

Councilor Noel motioned to approve which passed unanimously.

### **Referred to Public Safety & Transportation and Finance Committees**

**#194-21**      **Transfer \$172,400 to the IT Department, Micro/Network Services, Computer Equipment**  
HER HONOR THE MAYOR requesting authorization to transfer the sum of one hundred seventy-two thousand four hundred dollars (\$172,400) from Acct# 0110498-579000 FY21 Budget Reserve to Acct # 0111154-585111 Information Technology Department, Micro/Network Services, Computer Equipment for the purpose of upgrading all desktop computers at the Police Department that are no longer supported by Microsoft, as well as other technology improvements throughout City Departments.

**Public Safety & Transportation Approved 8-0 on 05/20/21**

**Action:**      **Finance Approved 8-0**

**Note:**      Howard Mintz, Interim Chief of Police presented the request to transfer \$172,400 for the purpose of upgrading all desktop computers at the Police Department that are no longer supported by Microsoft, as well as other technology improvements throughout City Departments.

Chief Mintz explained that there are a number of desktop computers that need to be upgraded because the security and other software does not support Windows 7.

Councilor Kalis motioned to approve which passed unanimously.

### **Referred to Public Safety & Transportation and Finance Committees**

**#196-21**      **Appropriate \$300,000 to establish a non-lapsing Police Department Account**  
HER HONOR THE MAYOR requesting authorization to appropriate and expend the sum of three hundred thousand dollars (\$300,000) from the June 30, 2020 Certified Free Cash to establish a non-lapsing Police Department Best Practices/ Training Account.

**Public Safety & Transportation Approved 8-0 on 05/20/21**

**Action:**      **Finance Approved 6-1-1 (Councilor Humphrey opposed and Councilor Noel abstaining)**

**Note:**      Howard Mintz, Interim Chief of Police presented the request to appropriate and expend \$300,000 to establish a non-lapsing Police Department Best Practices/Training Account. Chief Mintz explained that the Mayor outline the reasons for this request in the budget. The goal is to continue and further develop the department's training. Currently, there a minimum of 40 hours of in-service training is required. Chief Mintz explained that they will be making some changes due to the recent police reform legislation. He noted that there have been conversations with the incoming Police Chief, John Carmichael, and the Mayor about expanding roll call training, anti-bias training including the LGBTQ+ community, de-escalation training and mental health response. The mental health response will include the recently started Community Crisis Intervention Team and crisis intervention training which approximately 20 officers are already certified in. The goal is to have every officer in the Patrol

Bureau certified which is approximately 98 people. Chief Mintz noted that there is also a training called Operation ABLE which would train officers on intervening if there is a situation where another officer is acting improperly. There is also the possibility of there being Integrating Communications, Assessment, and Tactics (ICAT) training from the Police Executive Research Forum which could cost \$150,000. This training was recommended by the Police Reform Task Force. Chief Mintz noted that if this training is not used there will be training for potentially violent situations to come to a safe conclusion for the suspect and the police officer. In addition, there is a plan to work on training for how officers treat each other. He noted that the training will not just be Patrol Officers but anyone in the Police Department that communicates with the public.

Committee members asked the following questions:

Q: How will the department measure the impact and outcomes of the training? Is there data related to the proposed training for the Police Department?

A: Chief Mintz explained there have been studies on implicit bias. He noted that it is difficult in police work to measure what is prevented. The department does intend to enhance their own internal statistics. The goal is to keep bias out of any decision a police officer makes when it comes to arrest and other choices.

Q: What is the breakdown of how these funds will be spent?

A: Chief Mintz explained that one of the reasons this docket item requests these funds to be put in a non-lapsing account is because they are unsure how far these funds will go, and what the training needs of the department will be in the future. Training is very expensive due to the fact there is minimum staffing required on all shifts and the department is only allowed to go under their minimum staffing for one hour. Chief Mintz explained that a lot of the training does need to be backfilled with overtime. He further explained that when there is in-service training this does not require overtime. There is also the cost of tuition and instructors. The tuition for these classes can start at \$150 per individual but can go up to \$900 to \$1,000 for a class. Chief Mintz added that they meet every other month with the Concerned Black Residents of Newton, and they discussed excited delirium training. As a result of these conversations, a Sergeant and two patrol officers were sent to Maine, which involved an additional expense but now the department is trained in dealing with someone who may be in a state of excited delirium.

Q: What kind of excited delirium training is happening?

A: Chief Mintz explained that he can circulate the curriculum for the training that was attended. He noted that the reason for the training is because when someone is in a state of excited delirium, they could injure themselves if not restrained properly. The department wanted to learn techniques to recognize this situation and handle it safely. He added that the community group that asked for this training felt that the training addressed their concerns. Chief Mintz explained that training is given by the Institute for the Prevention of In-Custody Deaths. They are educating the officers on what causes

sudden deaths, the proper type of restraints and the effect of drugs on a suspect. He noted that the officers that were sent are experienced trainers and will know what information to pass along to fellow officers.

Q: What is a non-lapsing account and why was it used for this item?

A: Sue Dzikowski, Comptroller explained that a non-lapsing account means that these funds will not go away at the end of the fiscal year. These funds will need to be used after the end of the fiscal year.

Committee members made the following comments:

With respect to measuring impact and outcomes, it was noted that the Police Department should be able to gauge where an officer's bias levels are at, have them go through the training and then see where they are at after the training.

There should be data on the training to be able to see what direction the Police Department is going in. It is important to pick the correct training opportunities to better the department. It was noted that excited delirium training should not be used.

Chief Mintz noted that they do screen their hires sociologically and do a thorough background investigation. He further explained that the number of complaints that reach Internal Affairs is low. Chief Mintz assured the Committee that any funds that are used for training will be used carefully. Maureen Lemieux, Chief Financial Officer explained that the Mayor intends to work with the new Chief to identify metrics and benchmarks and develop the training program. The intent is to come back to Council to explain the programs that are chosen.

Some members of the Committee felt that the funds for training should be given on a case-by-case basis so the Committee has the opportunity to weigh-in on the types of training programs that could be selected. There is a concern that there are training programs out there that will not benefit the Police Department.

Other members of the Committee felt that it is important to invest these funds for training for the Police Department. The decision on which training should be chosen should be decided upon by the professionals who have years of experience. The new Police Chief expressed to the Council that he wanted to make these changes in the Department and focus on trainings that will help the department and the City make progress towards its shared goals.

Ms. Lemieux noted that the Mayor will be working side-by-side with the new Police Chief to ensure that they understand all of these training programs and that Newton has the best Police Department we can have. She also explained the new Police Chief could come to a Committee meeting in a few months to explain the training options.

There was discussion on docketing an item to be able to review the training of the Police Department later this fall.

Councilor Norton motioned to approve which passed 6-1-1 with Councilor Humphrey opposed and Councilor Noel abstaining.

**Chair's Note:** *The budget for Financial Information Systems and the following docket item were discussed together.*

**#200-21 Request for Reorganization of Financial Information Systems Department**

HER HONOR THE MAYOR submitting, pursuant to Chapter 6, Section 6-2 of the City of Newton Charter, a reorganization plan for the Financial Information Systems Department. The proposed reorganization plan includes ordinance amendments to Chapter 2, Article VI to replace the "Financial Information Systems Department" with "Financial Services Department" as well as changes to the structure and number of FTEs in the department. (90-day Action Date: August 15, 2021)

**Action:** **Finance Approved 6-0-1 (Councilor Gentile abstaining and Councilor Kalis recused)**

**Note:** Maureen Lemieux, Chief Financial Officer explained that the reorganization of the Financial Information Systems Department has been discussed for the past two years and she has invited Clifton Larson Allen (CLA), the City's independent auditors, to be a part of the conversation tonight. The auditors made an assessment of the department in terms of payroll and financial analysis. Ms. Lemieux noted that the pandemic had delayed the implementation of CLA's recommendations.

Hannah York, John McGoldrick and Katherine Pomeroy, representatives from CLA presented their analysis of the reorganization. Mr. McGoldrick explained that they were asked to create an FDA which is a Financial Department Assessment. The reasons for the FDA for Newton were centralized around the organizational structure of finance, segregation of duties, the new payroll module and the current payroll process. This FDA began with informational meetings to find out who should be interviewed in the City. Mr. McGoldrick explained that they ended up interviewing approximately 20 individuals from the Mayor's Office, Financial Information Systems, IT, Comptroller, Treasury, Public Works and Human Resources.

Mr. McGoldrick explained that based on their investigation they came up with the attached 24 recommendations that are in order from high priority to low priority. The first high-priority recommendation was to create a financial administration division and the second is transforming the FIS department. This would mean replacing the department with a payroll division of the proposed Financial Services Department.

With respect to creating a financial administration division, when the auditors looked at the organization chart they saw that everyone reports directly to the Mayor and no one directly reports to the CFO. Mr. McGoldrick explained that in other communities, there are positions that report to the

CFO/ Financial Director. The proposed reorganization would have the Financial Services Division report to the CFO. He further explained that the Financial Services Division would have two subsections -- one for financial planning & analysis and the other for payroll.

Financial Planning & Analysis would consist of building reports, data analytics for long-term planning, and internal compliance.

Payroll would become a separate division of the Financial Services Department and have a payroll expert as the manager. The City's current payroll department was a 3-member team which has recently lost 2 employees. The auditors also looked at the implementation of Munis to strengthen the City's payroll process.

Ms. Lemieux explained that the expectation is to have a nine-person department which is shown in the attached organizational chart. She noted that she will be the Director of Financial Services for the first couple of years until the department is set. There will be four employees on the financial planning & analysis side and five employees on the payroll side. The City does need people to put together the budget, the long-range plan, the capital improvement plan, the analysis needed for collective bargaining agreements, analysis for health insurance and to track data accurately. The City does have current employees that will be moving into this new division. Ms. Lemieux explained that they will be looking for a payroll manager to ensure the City will be following all payroll requirements. The compliance position will also fall under the payroll division.

Ms. Lemieux noted that the budget will be mostly personnel. But \$50,000 is budgeted for consultants in case there is a need for CLA to take a look at how the City sets up the pay codes in Munis. There are also funds available for additional equipment, office supplies and payroll training.

Councilors asked the following questions:

Q: Was contracting with a third-party to handle the City's payroll considered?

A: Ms. Lemieux explained that they have discussed this in the past and it was determined that Newton's payroll is too complicated to outsource. That decision was made three to four years ago when the City decided to buy the Munis software. Mr. McGoldrick explained that they do work with communities that outsource their payroll to ADP and Harpers. He explained that the processing of timesheets and other aspects of the work still needs to be done within the City. Ms. York noted that most of the communities that outsource are smaller towns that do not have the bandwidth to have a full-time payroll employee. The auditors would not have recommended for Newton to outsource their payroll.

Q: Which positions in the proposed department are vacant and which have been filled?

A: Ms. Lemieux explained that the reorganization will create three new full-time positions. The impact is an additional \$275,000 to \$300,000 to the budget. In the Financial Planning & Analysis division, Jack

Cowell will be the manager and Perry Rosenfield will be the assistant manager. There is an offer outstanding on one financial analyst position and another financial analyst position that is still open. On the Payroll side, the manager and the assistant manager will be new employees. The information processing specialist is Beth Gallagher who works in the current Financial Information Systems Department. One of the payroll analysts currently works in Public Works and will be transferring over to this new department. The other payroll analyst position is vacant. In DPW they will need to backfill Mr. Cowell's and Mr. Rosenfield's positions. Ms. Lemieux explained that they have downgraded the business manager position due to the reorganization. Mr. Rosenfield's position in DPW has been left in the budget to make sure there hasn't been too much taken from DPW.

Councilors thanked Ms. Lemieux for the work she has done for the City and noted that it is important to approve this reorganization so there is a support for the CFO and division of responsibility within the financial services roles in the City.

The public hearing was opened and with no member of the public wishing to speak the public hearing was closed.

The Committee took a straw vote to accept the Financial Services Department proposed Budget, the Supplemental CIP and the CIP which passed 6-0-1 with Councilor Gentile abstaining and Councilor Kalis recused.

Councilor Noel motioned to approve item #200-21 which passed 6-0-1 with Councilor Gentile abstaining and Councilor Kalis recused.

**#192-21      Transfer \$114,500 to make an adjustment to the FY21 Budget**

HER HONOR THE MAYOR requesting authorization to transfer the sum of one hundred fourteen thousand five hundred dollars (\$114,500) from Acct #6100-3240 Sewer Fund Free Cash to Acct #61A10771-581F11 Bond Maturities-MWRA Sewer Services for the purpose of making an adjustment to the FY21 Budget.

**Action:**      **Finance Approved 8-0**

**Note:**      Sue Dzikowski, Comptroller presented the request to transfer \$114,500 from Acct #6100-3240 Sewer Fund Free Cash to Acct #61A10771-581F11 Bond Maturities-MWRA Sewer Services for the purpose of making an adjustment to the FY21 Budget. The MWRA sewer project was bonded in FY20 and it was inadvertently left off the debt service schedule which made up the FY21 debt service budget. The debt invoice has been paid to U.S. Bank and now these funds need to be transferred.

Councilor Norton motioned to approve which passed unanimously.

**#193-21      Transfer \$4,435 to make an adjustment to the FY21 Budget**

HER HONOR THE MAYOR requesting authorization to transfer the sum of four thousand four hundred and thirty-five dollars (\$4,435) from Acct #6200-3240 Stormwater Fund Free Cash to Acct #62A10491-570700 Stormwater Contributory Retirement-NCRS for the purpose of making an adjustment to the FY21 Budget.

**Action:**      **Finance Approved 8-0**

**Note:**          Sue Dzikowski, Comptroller presented the request to transfer \$4,435 from Acct #6200-3240 Stormwater Fund Free Cash to Acct #62A10491-570700 Stormwater Contributory Retirement-NCRS for the purpose of making an adjustment to the FY21 Budget. Ms. Dzikowski explained that when the stormwater budget was put together for FY21 the NCRS contribution to stormwater was underfunded by \$4,435.

Councilor Kalis motioned to approve which unanimously.

The Committee adjourned at 10:13 p.m.

**Respectfully submitted,**

**Rebecca Walker Grossman, Chair**



CITY OF NEWTON

IN CITY COUNCIL

DRAFT

ORDERED:

That, in accordance with the recommendation of the Public Facilities Committee through its Chair Alison M. Leary and the Finance Committee through its Chair Rebecca Walker Grossman, to transfer the sum of four hundred thousand dollars (\$400,000) from FY21 salary savings from the Department of Public Works, Street Maintenance Division Acct# 0140120-511002 Full-Time Wages to Acct #01C40112-579500 Department of Public Works- Transportation Network Improvement Program be and is hereby approved as follows:

FROM:	DPW Street Maintenance Division-Full Time Wages (0140120-511002).....	\$400,000
TO:	Accelerated Roads Program- Undistributed (01C40112-579500) .....	\$400,000

Under Suspension of Rules  
Readings Waived and Approved  
DRAFT

(SGD) NADIA H KHAN

Acting City Clerk

(SGD) RUTHANNE FULLER

Mayor

Date: \_\_\_\_\_

CITY OF NEWTON

IN CITY COUNCIL

DRAFT

ORDERED:

That, in accordance with the recommendation of the Public Safety & Transportation Committee through its Chair Andrea Downs and the Finance Committee through its Chair Rebecca Walker Grossman, to transfer the sum of one hundred seventy-two thousand four hundred dollars (\$172,400) from Acct# 0110498-579000 FY21 Budget Reserve to Acct # 0111154-585111 Information Technology Department, Micro/Network Services, Computer Equipment for the purpose of upgrading all desktop computers at the Police Department that are no longer supported by Microsoft, as well as other technology improvements throughout City Departments be and is hereby approved as follows:

FROM:	Reserve Funds-FY21 Budget Reserve (0110498-579000).....	\$172,400
TO:	Micro/Network Services-PC Hardware (0111154-585111).....	\$172,400

Under Suspension of Rules  
Readings Waived and Approved  
DRAFT

(SGD) NADIA H KHAN

Acting City Clerk

(SGD) RUTHANNE FULLER

Mayor

Date: \_\_\_\_\_

CITY OF NEWTON

IN CITY COUNCIL

DRAFT

ORDERED:

That, in accordance with the recommendation of the Public Safety & Transportation Committee through its Chair Andrea Downs and the Finance Committee through its Chair Rebecca Walker Grossman, to appropriate and expend the sum of three hundred thousand dollars (\$300,000) from the June 30, 2020 Certified Free Cash to establish a non-lapsing Police Department Best Practices/ Training Account be and is hereby approved as follows:

FROM:	General Fund Free Cash (0001-3240).....	\$300,000
TO:	Police Best Practices Training- Undistributed (01C20108-579500) .....	\$300,000

Under Suspension of Rules  
Readings Waived and Approved  
DRAFT

(SGD) NADIA H KHAN

Acting City Clerk

(SGD) RUTHANNE FULLER

Mayor

Date: \_\_\_\_\_



RUTHANNE FULLER  
MAYOR

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Office of the Mayor

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Honorable City Council  
Newton City Hall  
1000 Commonwealth Avenue  
Newton Centre, MA 02459

Councilors:

In accordance with Chapter 6, Section 6-2 of the Newton City Charter, I respectfully submit the following reorganization plan:

- 1) Delete in its entirety, Chapter 2, Article VI of the Revised Ordinances of the City of Newton: Financial Information Systems Department.
- 2) Insert in its place a new Chapter 2, Article VI establishing a Financial Services Department as detailed in the draft amendment language attached to this letter.
- 3) Amend any reference to the "Financial Information Systems Department" with the words "Financial Services Department" throughout the Revised Ordinances of the City of Newton.

While we have recognized for some time that the areas of Payroll and Financial Services needed additional staff, we focused our efforts and funding on other key areas in the delivery of services to the residents of this good City. However, this year we recognized that it was time to make the commitment to address this area of significant need.

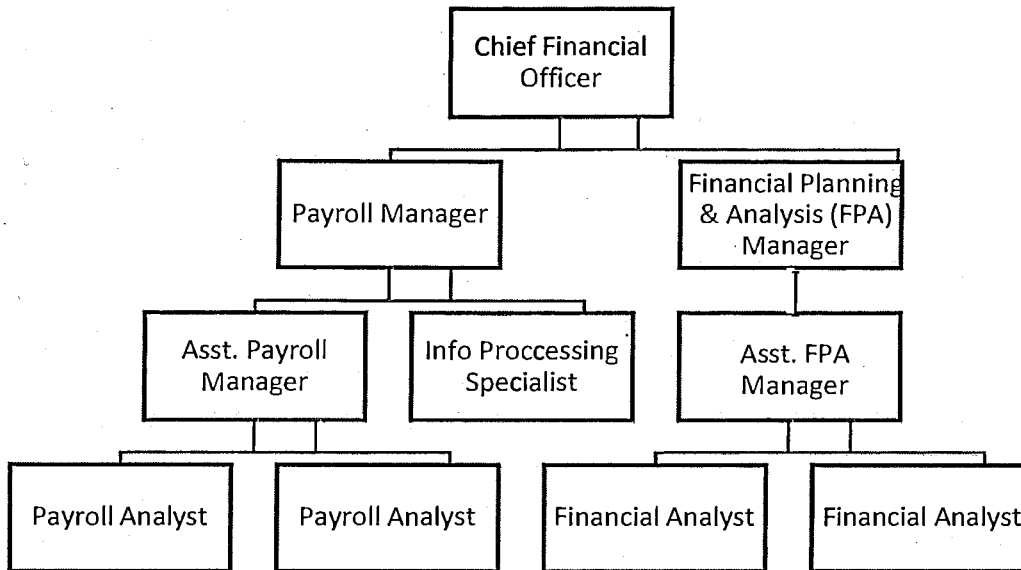
In March 2021, we engaged the services of CliftonLarsonAllen (CLA), the City's outside Auditing Firm, to conduct an assessment of the financial areas of the City with a focus on:

- Payroll Related Processes,
- Financial Capabilities and Organizational Structure,
- Financial Reporting and Analysis Capabilities,
- Segregation of Duties in Payroll

Upon completion of this Assessment in late April 2021, CLA presented their findings and recommendations. These findings include the recommendation that the City establish a Financial Services Department consisting of a Payroll Division and a Financial Planning and Analysis (FP&A) Division, with both divisions reporting to a Director/Chief Financial Officer. CLA also recommends substantially increasing the staffing levels so the City of Newton has sufficient ability to do these important functions sustainably.

May 10, 2021  
CITY CLERK  
NEWTON, MA 02459  
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In total, it is recommended to be a nine-person department. We expect several key members of our staff will transfer to this new department, and we will utilize several key vacancies to hire new staff who will bring the knowledge and expertise that the City requires. It is our expectation that this organization will ultimately result in the creation of three new full-time equivalent positions. All three positions from the former Financial Information Systems Department will be transferred to this new organization, as well as, one position (Financial Analyst) will be transferred from the Mayor's Office, and two positions (Capital Analyst and Payroll Analyst) will be transferred from DPW. The organizational chart is provided below:



Thank you for your consideration of this matter.

Sincerely,

*Ruthanne Fuller*

Ruthanne Fuller  
Mayor

**ARTICLE VI  
FINANCIAL SERVICES DEPARTMENT**

**Sec. 2-246. Established.**

There is hereby established a financial services department in the city.

**Sec. 2-247. Director, authority.**

The financial services department shall be headed by a director who is appointed by the mayor. The director shall be responsible for planning, organizing and controlling the overall activities of financial services, and shall act as liaison between the department of financial services and other departments of municipal government.

**Sec. 2-248. Functions of the department.**

The financial services department shall be comprised of a payroll division and a financial planning and analysis division.

The payroll division shall:

- (1) Manage the City's computerized payroll system in accordance with Federal, State, and City regulations, policies and procedures.
- (2) Ensure the accurate and timely processing of weekly, semi-monthly, and other payrolls.
- (3) Ensure compliance with federal, state, and local payroll, wage, and hour laws.
- (4) Process garnishments, child support payments, benefit adjustments, annual leave payments and all other payroll related adjustments in accordance with federal and state regulations.
- (5) Manage the payment and reporting of federal and state withholding taxes and the preparation of related reports. (W-2's, and all related reports)
- (6) Provide assistance and advice to all departments, payroll representatives, and employees on payroll policies and procedures.

The financial planning and analysis division shall:

- (1) Manage the timely and accurate development and preparation of the annual long -range financial plan.
- (2) Manage the timely and accurate development and preparation of the annual operating budget.
- (3) Manage the timely and accurate development and preparation of the capital improvement plan and the supplemental capital improvement plan.
- (4) Analyze financial data to inform the strategic decision-making process.



May 19, 2021

Mayor Ruthanne Fuller  
1000 Commonwealth Avenue  
Newton Centre, Massachusetts 02459

Dear Mayor Fuller:

CliftonLarsonAllen, LLP (CLA or we) was engaged by you to perform consulting services for the City of Newton (you, your, or City). These services included performing a Finance Department Assessment (FDA), analyzing the Finance Department organizational structure, analyzing and documenting the payroll process, interviewing staff, reviewing accounts payable, treasury, accounting and human resource processes.

### **Executive Summary**

We interviewed over two dozen employees of the City from various departments, such as, the Mayor's department, Comptroller department, Treasurer/Collector department, Financial Information Systems department, Human Resources department, Information Technology department, etc. In addition, we reviewed financial system utilization and controls. Based on these interviews and our review, we offer you the following observations and recommendations for improvement, arranged by priority level:

### **Recommendations**

#### **High Priority:**

1. Financial Administration Division

*Observation:* Per review of the City organization chart and various interviews, it was noted that none of the financial functions report directly to the Chief Financial Officer (CFO).

*Recommendations:*

- i. We recommend creating a newly defined reporting structure where the CFO has critical financial services as direct reports. These functions would still fall under the purview of the Mayor, but with a layer of reporting in-between. Specifically, in terms of finance related structure, a financial administration division would be created and report to the CFO and to the Mayor. The department heads of the individual departments selected to be part of the financial administration division would have a formal reporting

City of Newton, Massachusetts  
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relationship with the CFO (see [Appendix A](#)). The financial administration division would consist of the following departments:

- a. Treasurer/Collector
  - b. Assessing
  - c. Purchasing
  - d. Financial services (see ii. below)
- ii. We recommend the creation of a financial services department. This department would take direction from the CFO and have two sub-components/divisions – financial planning and analysis (FP&A) and payroll. FP&A would be responsible for helping to build reporting and to produce data analytics to drive long-term, strategic planning for operating and capital purposes. As part of this department we would also recommend an internal compliance function. This function would do departmental reviews of internal controls, testing of processes and transactions and investigate concerns that arise during a fiscal year. Payroll would incorporate the existing payroll functions performed currently by the Financial Information Systems (FIS), while also adding levels of review and oversight with a manager that is a payroll expert. Please see [Appendix B](#) for the organizational structure and [Appendix C/D](#) for current payroll process and proposed (future) payroll process. This new division would replace the current FIS department (see #2 below).

## 2. FIS

*Observation:* The FIS department, which was created a handful of years ago and branched off from Information Technology (IT), currently consists of three positions; FIS Manager, Payroll Manager and Data Control Specialist, whose main focus is payroll, but also is responsible for various other tasks that are typically the responsibility of other departments in other municipalities.

*Recommendation:* We recommend the transforming of the FIS department in its current form and replacing it as a payroll division within the Financial Services department (see #1 above). Furthermore, we recommend that all non-payroll functions that are currently the responsibility of FIS be reassigned to other departments of the City. For example, currently FIS processes the regulatory tax billing. This function should reside in the Treasurer/Collector's department.

## 3. Review of employee information in Munis

*Observation:* Although we concur with the segregation of duties, in terms of what department is entering employee information in Munis (i.e., benefit/deductions by Human Resources (HR) and payroll by FIS), additional supervisory review of this information is needed to ensure accuracy.



City of Newton, Massachusetts  
May 19, 2021

*Recommendation:* We recommend a layer of review/sign-off take place regarding benefit/ deduction and payroll information for new hires and for changes to existing employees. By performing this review, potential problems will be caught prior to payment and processing of payroll, making the payroll process more efficient.

4. Wage levies/garnishments

*Observation:* We understand that Treasury is responsible for adding wage levies/garnishments to an employee's payroll record.

*Recommendation:* We recommend that only the new payroll department have security access to change an employee's payroll master file, which would include the ability to add or subtract levies/garnishments. No other department should have the security rights to make payroll related changes. In this instance, the payroll department should receive proper documentation of the levy or garnishment. Once entered, the payroll supervisor should review/approve the change.

5. Workers' compensation

*Observations:*

- i. HR and FIS do not always agree how workers' compensation calculations are done (i.e., based on a five-day work week versus a seven-day work week). Additionally, the workers' compensation rates need to be reviewed by another individual within HR, other than the employee calculating the rate.
- ii. Workers' compensation rates are being entered into the Munis payroll system by the same individual in HR that is calculating the rate. This same person also has access to turn the benefit on and off within Munis. Ideal segregation of duties recommends separating these functions.

*Recommendations:*

- i. HR is ultimately responsible for the workers' compensation calculation. This calculation should be performed and reviewed by the HR department, then sent to the new payroll department for entering/updating in the payroll module within Munis.
- ii. We recommend that only the new payroll department have the access to change an employee's payroll master file. To make these changes, the payroll department should receive proper support. Once entered, the changes should be reviewed/approved by the payroll supervisor.

6. Withholding reconciliations

*Observation:* Reconciliations need to be performed between employee withholdings versus what is being billed by the provider.

City of Newton, Massachusetts  
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*Recommendation:* We recommend monthly reconciliations be performed, by the HR Department, of employee payroll deductions to enrollment records and health/dental insurance bills to enrollment records and payroll deductions. This will minimize the risk of the City paying premiums for those that should no longer be on the plan and/or other irregularities.

7. Fair Labor Standards Act (FLSA)

*Observation:* FLSA establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting employees in the private sector and in Federal, State, and local governments. Based on our inquiries of City personnel there appears to be potential issues and/or inconsistencies related to FLSA calculations.

*Recommendations:*

- i. We recommend reviewing and automating the FLSA process as much as possible in Munis.
- ii. We recommend HR create a reference document and training for timekeepers and department heads explaining when FLSA is applicable and how the calculation should be performed.

8. Munis payroll set-up review and training

*Observations:* The transition from Finance Plus to Munis to process payroll has been challenging. Employees need more training on how to automate certain functions and run particular reports. Two examples are as follows:

- i. Longevity is currently being added or removed, manually, to payroll runs, which is a time-consuming process. Munis has options to click off when longevity should be processed without adding or removing an amount manually each pay period.
- ii. Obtaining specific workers' compensation reports by individuals appear to be a pain point and this type of information should be available in a report from Munis.

*Recommendation:* We recommend a thorough review of the payroll set-up in Munis and that additional training be provided on specific payroll processing functions.

9. Payments prior to the approved warrant

*Observation:* Payments ("no-check", wires) to the City's health insurance providers are being made prior to the approved warrant.

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*Recommendation:* We recommend that all payments, including health insurance provider payments, only be paid after the warrant is processed and authorized by the Comptroller's office (in accordance with Massachusetts General Law "MGL", Chapter 41, Section 52). It is our understanding that the City has already changed this process since being made aware of the observation.

#### 10. Payroll

*Observation:* City employees are paid weekly, whereas School employees are paid semi-monthly. Having multiple payroll periods creates some duplication of effort. In addition, weekly payroll leaves very little time for review and adjustments between payrolls. Also, MGL Chapter 149, Section 148 states that all hourly employees are to be paid either weekly or bi-weekly.

*Recommendation:* We recommend eliminating the weekly payroll run and converting all departments to bi-weekly payrolls.

### **Medium Priority:**

#### 11. Munis permissions

*Observation:* Currently, the IT department controls the granting of Munis permissions. The permissions in Munis allows and restricts employees to what modules, functions and data they have access to.

*Recommendation:* We recommend that IT continue to be the department that physically changes an individual's permission in Munis; however, the granting of what an individual employee has access to, should be determined together by the CFO and the Comptroller's office. The CFO and Comptroller's office are responsible for maintaining the general ledger and internal controls, so ultimately Munis permissions should fall within their purview.

#### 12. Collective Bargaining Agreements (CBA)

*Observation:* During our review of CBAs, it was noted the majority of what was provided were memorandum of agreements (MOA) and not fully executed CBAs.

*Recommendation:* We recommend the City prepare updated CBAs for all bargaining units. By doing this all agreements and language would be current for all aspects of the particular bargaining unit without having to rely on an original MOA document that may be five to ten years old.

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13. Job descriptions

*Observation:* Not all job descriptions are up to date.

*Recommendation:* We recommend that the City create and maintain job descriptions for each position at the City. Job descriptions help ensure that both the individual in the position and the individual responsible for overseeing the position have clear expectations required of the job.

14. Pay grade reclassification and compensation plans

*Observations:*

- i. The H-grade salary scale has 40 steps, with a step one rate that has not changed in ten years. Instead of updating the rates of existing steps, new steps are added leading to the current number of 40.
- ii. There is no formal reclassification process if an employee believes they are on the wrong step for the job they perform.

*Recommendations:*

- i. We recommend the City reduce the number of steps available for selection on the H-grade salary scale.
- ii. We recommend that an outside firm provide a compensation study for the current job positions for the City.

15. Hiring process

*Observation:* The hiring process is decentralized, which can lead to inconsistencies across the departments. Those involved in the hiring process across the City may not have had sufficient formal training in terms of what can or cannot be said and done during an interview. This could open the City to potential lawsuits and the loss of good candidates.

*Recommendation:* We recommend creating formal hiring policies and procedures and have formal trainings for those involved in the hiring process (i.e. review of resumes, scheduling, interviews, etc.) and strengthening the resulting and hiring management process in HR.

16. Background checks

*Observation:* Although a Criminal Offender Record Information (CORI) check is performed for candidates, prior to becoming an employee, no additional background checks are performed in terms of prior work experience and education.

*Recommendation:* We recommend the HR department implement additional policies and procedures regarding background checks. For example, prior to a candidate becoming an employee of the City, their past employment and education records should be verified.

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17. Vendor warrant schedule

*Observation:* During our interviews and review of documentation, it was communicated that numerous vendor warrants (six as an example) are processed during the week and the timing (day of the week) of the vendor warrants are not always consistent.

*Recommendation:* We recommend the City develop a consistent posted vendor warrant schedule for processing and limit the number of vendor warrants processed on a weekly basis. By doing so, an expectation will be set as to when funding of the warrants will need to take place. This is important due to the need to transfer money between bank accounts.

**Low Priority:**

18. Payroll checks

*Observation:* Numerous employees still receive manual payroll checks. Manual checks are inefficient, have a greater chance of being lost and will increase the amount of outstanding checks at the bank.

*Recommendation:* We recommend that all payroll checks be paid via direct deposit.

19. Fixed assets

*Observation:* The City utilizes an Excel spreadsheet to maintain their fixed asset listing. Using Excel to maintain the list is not necessarily secure and has a higher chance of error.

*Recommendation:* We recommend the City purchase and utilize a fixed asset tracking software to maintain the fixed asset listing. As noted in the prior year Management Letter.

20. Performance evaluations

*Observation:* It was communicated that formal performance evaluations do not take place for the employees of the City. Performance evaluations are an important communication tool that is both beneficial to the employee and employer. This allows for feedback, expectation setting and recognition.

*Recommendation:* We recommend annual, formal, documented performance evaluations for all employees of the City.

21. Personnel Action Form (PAF) approvals

*Observation:* The current practice of approving a PAF requires the signature from the individual's department head, HR director, comptroller, mayor and CFO.

*Recommendations:*

- i. We recommend the City switch the PAF approval process over to the electronic workflow process in Munis.

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- ii. We further recommend that, at a minimum, the individual's department head, and HR director approve the change on the PAF. The PAF should then be provided to payroll to enter the required change. The Comptroller's department should receive a copy for their records and verification.

## 22. 1099 tax forms

*Observation:* It was communicated that too many 1099 tax forms for calendar year 2020 were incorrect for a variety of reasons and had to be corrected.

*Recommendation:* We recommend that individuals in the purchasing department receive training on who requires a 1099 tax form and that those processing the 1099 tax forms in Munis are properly trained to avoid printing errors.

## 23. Returned checks

*Observation:* No formal process exists to investigate returned vendor or payroll checks that come back to the City due to an incorrect address.

*Recommendation:* We recommend a formal process be established to investigate returned checks. The Treasurer/Collector's department should inform either the Comptroller's department or the new payroll department, depending if the returned check is a vendor or payroll check. From this point, either department should reach out to the appropriate department to review and correct, if applicable, the payee information.

## 24. Bankruptcy notifications

*Observation:* The Treasurer/Collector's department receives notices and documentation regarding bankruptcy filings.

*Recommendation:* We recommend the Law department review the notification first and maintain the documentation. Upon review, if necessary, the Law department should provide instruction to the Treasurer/Collector department for processing and to fulfill the request.

## **Conclusion**

If there is any assistance CLA can provide to help implement any of our recommendations, we would be happy to discuss further. We want to thank the City for the opportunity and the employees for their cooperation, time and willingness to be part of this project.

City of Newton, Massachusetts  
May 19, 2021

**Engagement Limitations**

The scope of our work is limited, and does not include an audit, examination, review, or compilation of financial statements as those terms are defined in standards promulgated by the AICPA, and accordingly we express no such opinion on the financial information or other information we received in the course of our work.

Additional information may become available to us. In addition, we may be asked to consider additional information and comment on that information relating to this matter. Consequently, we reserve the right to revise our report after consideration of any such additional information.

This report is prepared in connection with the aforementioned matter and should not be used for any other purpose.

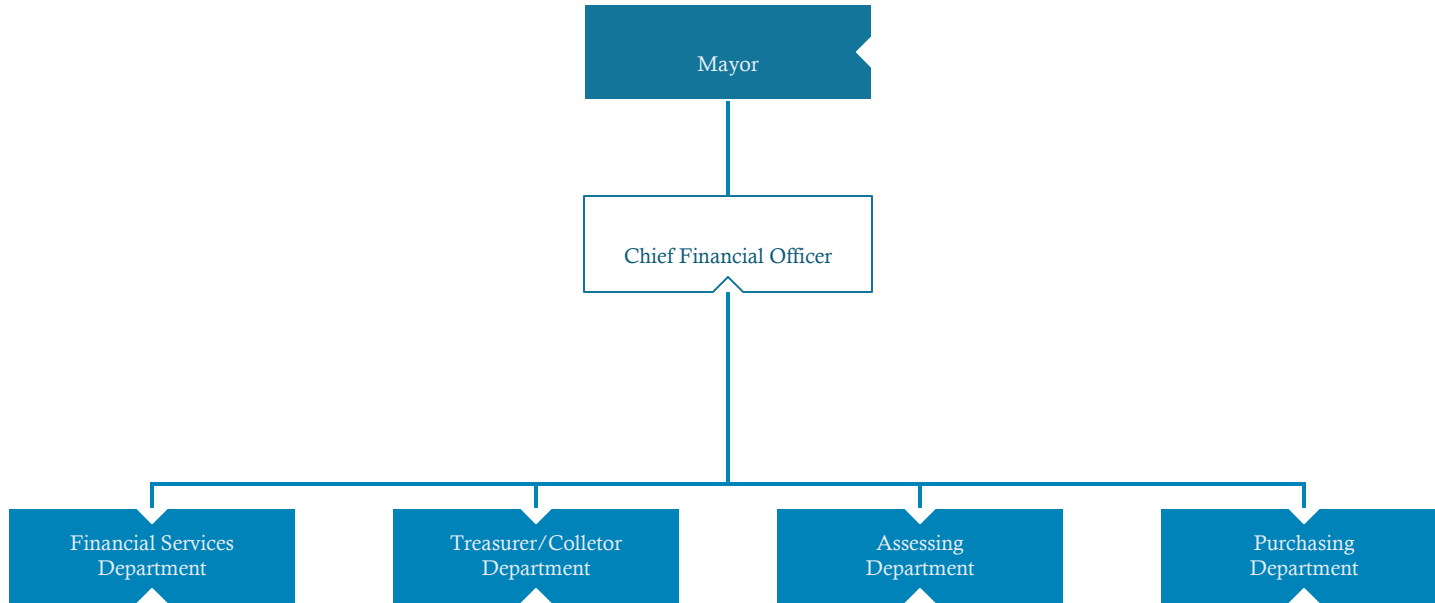
Respectfully submitted,

A handwritten signature in cursive script that reads "Hannah York".

Hannah York, CPA, CGA  
Principal

# City of Newton

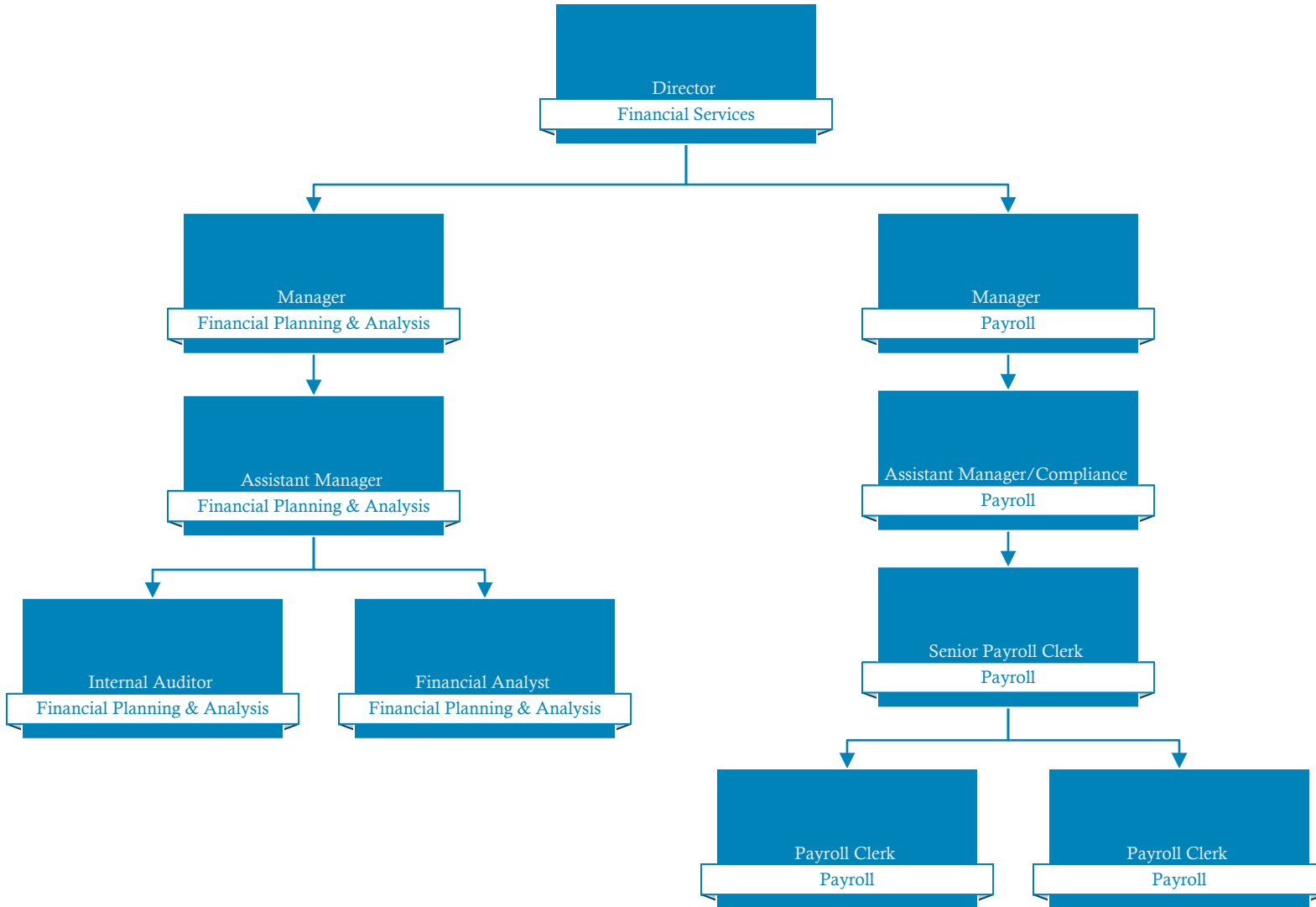
## Financial Administration Org Chart



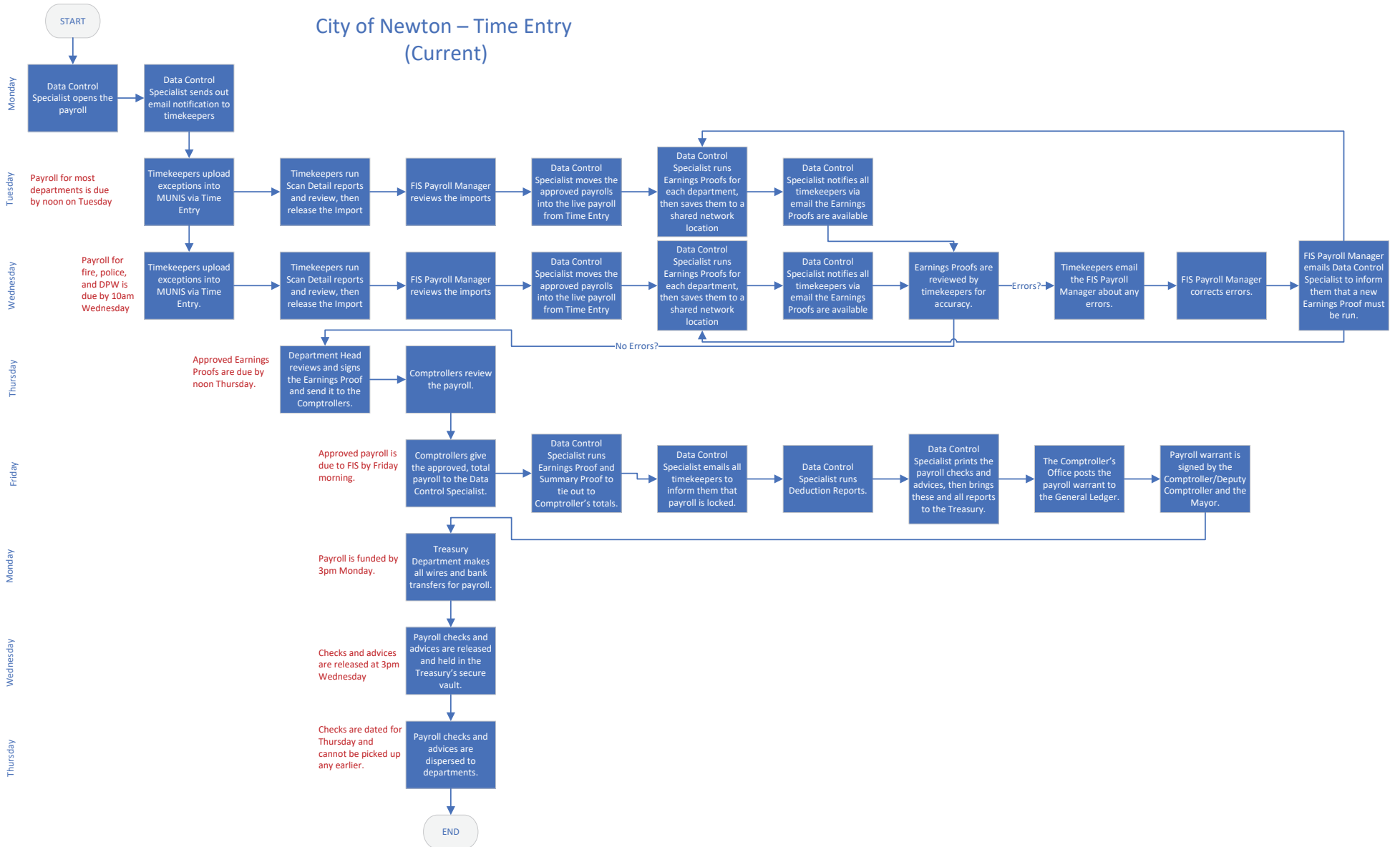


# City of Newton

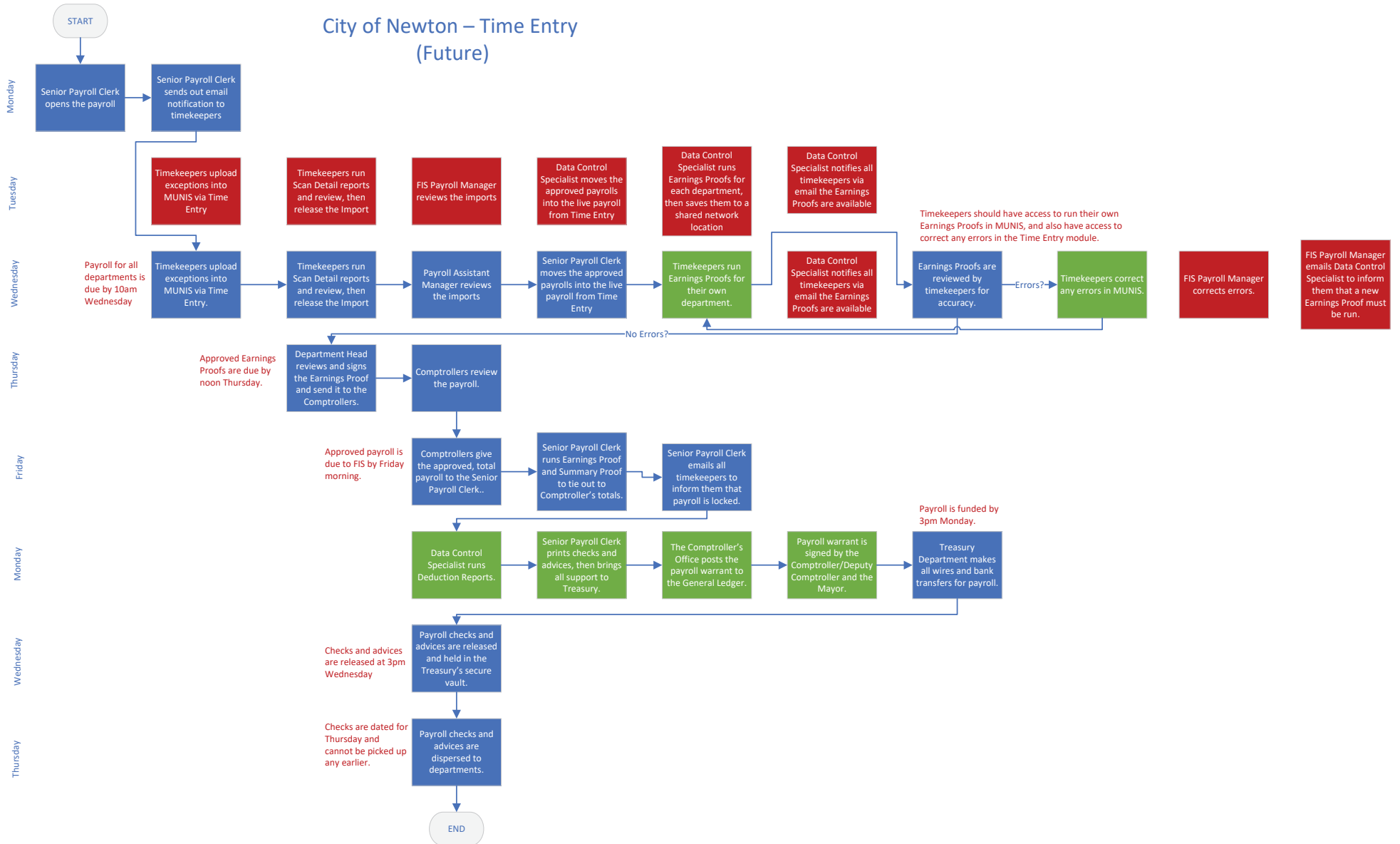
## Financial Services Department Org Chart



City of Newton – Time Entry  
(Current)



### City of Newton – Time Entry (Future)



CITY OF NEWTON

IN CITY COUNCIL

DRAFT

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Rebecca Walker Grossman, to transfer the sum of one hundred fourteen thousand five hundred dollars (\$114,500) from Acct #6100-3240 Sewer Fund Free Cash to Acct #61A10771-581F11 Bond Maturities-MWRA Sewer Services for the purpose of making an adjustment to the FY21 Budget be and is hereby approved as follows:

FROM:	Sewer Fund Free Cash (6100-3240).....	\$114,500
TO:	Bond Maturities-MWRA Sewer System (61A10771-581F11) .....	\$114,500

Under Suspension of Rules  
Readings Waived and Approved  
DRAFT

(SGD) NADIA H KHAN

Acting City Clerk

(SGD) RUTHANNE FULLER

Mayor

Date: \_\_\_\_\_

CITY OF NEWTON

IN CITY COUNCIL

DRAFT

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Rebecca Walker Grossman, to transfer the sum of four thousand four hundred and thirty-five dollars (\$4,435) from Acct #6200-3240 Stormwater Fund Free Cash to Acct #62A10491-570700 Stormwater Contributory Retirement-NCRS for the purpose of making an adjustment to the FY21 Budget be and is hereby approved as follows:

FROM:	Stormwater Fund Free Cash (6200-3240).....	\$4,435
TO:	Stormwater Contributory Retirement-NCRS (62A10491-570700) .....	\$4,435

Under Suspension of Rules  
Readings Waived and Approved  
DRAFT

(SGD) NADIA H KHAN

Acting City Clerk

(SGD) RUTHANNE FULLER

Mayor

Date: \_\_\_\_\_