

## Scope of Work

At the request of the Board of Selectmen, I was engaged to perform an Internal Control Review of the Town of Rowe's financial and accounting systems, including all relevant departments, town officials and external vendor relationships. To accomplish this, records and documents were reviewed and interviews were conducted with staff, town officials, external vendors and local citizens.

## Background

Internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Internal control is broadly defined as a process, affected by an entity's management and personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- a) Effectiveness and efficiency of operations
- b) Reliability of financial reporting and
- c) Compliance with laws and regulations

An internal control framework has the following five components:

1. Control Environment-sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control.
2. Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed
3. Information and Communication-systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities
4. Control Activities-the policies and procedures that help ensure management directives are carried out.
5. Monitoring-processes used to assess the quality of internal control performance over time.

Internal control activities can be classified based on the particular objectives that they are designed to provide reasonable assurance of. The specific target used to determine whether a control is operating effectively is called the "control objective." Control objectives fall under these categories:

1. Existence (Validity): Only valid or authorized transactions are processed (i.e., no invalid transactions)
2. Occurrence (Cutoff): Transactions occurred during the correct period or were processed timely.
3. Completeness: All transactions are processed that should be (i.e., no omissions)

4. Valuation: Transactions are calculated using an appropriate methodology or are computationally accurate.
5. Rights & Obligations: Assets represent the rights of the company, and liabilities its obligations, as of a given date.
6. Presentation & Disclosure (Classification): Components of financial statements (or other reporting) are properly classified (by type or account) and described.
7. Reasonableness-transactions or results appear reasonable relative to other data or trends.

For example, a control objective for the accounts payable function may be stated as: "Payments are made only for authorized products and services received." This is a validity objective. A typical control procedure designed to achieve this objective is: "The accounts payable system compares the purchase order, receiving record, and vendor invoice prior to authorizing payment." Multiple controls may be applicable to achieve a given control objective with a reasonable level of assurance.

Management is responsible for implementing appropriate controls that apply to transactions in their areas of responsibility. One of the purposes of this internal control review was to evaluate whether the controls are designed and implemented effectively to address the relevant objectives.

Control activities may also be categorized by the type or nature of activity. These include:

- 1) Segregation of duties - separating authorization, custody, and record keeping roles to prevent fraud or error by one person going undetected.
- 2) Authorization of transactions - review of particular transactions by an appropriate person.
- 3) Retention of records - maintaining documentation to substantiate transactions.
- 4) Supervision or monitoring of operations - observation or review of ongoing operational activity.
- 5) Physical safeguards - usage of cameras, locks, physical barriers, etc. to protect property, such as merchandise inventory.
- 6) Top-level reviews-analysis of actual results versus organizational goals or plans, periodic and regular operational reviews, metrics, and other key performance indicators.
- 7) IT Security - usage of passwords, access logs, etc. to ensure access restricted to authorized personnel.
- 8) Top level reviews-Management review of reports comparing actual performance versus plans, goals, and established objectives.
- 9) Controls over information processing-A variety of control activities are used in information processing. Examples include edit checks of data entered, accounting for transactions in numerical sequences, comparing file totals with control accounts, and controlling access to data, files and programs.

Internal control is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (e.g., cash, machinery and property) and intangible (e.g., employee Social Security Numbers.) A good system of internal control is essential to the financial wellbeing of any organization.

# Findings and Opportunities for Improvement

## 1) Independent Auditor

The City & Town Software, used by the Town of Rowe for accounting purposes was co-developed and is maintained by Scott Sawyer, CPA, the person engaged by the Town of Rowe to conduct the independent audit. This accounting software is used by the Town for processing payroll and recording receipts and disbursements. Mr. Sawyer prepares the adjusting journal entries, prepares the Schedule A and “closes the books” for the Town of Rowe.

All of these functions must be done by someone other than the independent auditor, usually the Town Accountant. This same finding was noted in the 2007 Financial Management Review conducted by the Massachusetts Department of Revenue.

The independence of an auditor is compromised if he both performs the work and audits it. Additionally, an auditor must be independent in both fact and appearance. This would include design and implementation of a software system that aggregates source data underlying the financial statements or generates information that is significant to the organization’s financial statements taken as a whole.

### Recommendation

The Town of Rowe should immediately send out a Request for Proposals soliciting bids from independent auditors to perform the financial audit for the year ended June 30, 2012. Below is the contact information for two local firms that specialize in municipalities:

Thomas Scanlon, CPA  
Scanlon & Associates  
8 Tina Drive  
Deerfield, MA 01373  
Tel: 413.665.4001  
[www.ScanlonHaynes.com](http://www.ScanlonHaynes.com)

Patrice Squillante, CPA  
Melanson Heath & Company, PC  
51 Davis Street #1  
Greenfield, MA 01301  
Tel: 413.773.5405  
[www.MelansonHeath.com](http://www.MelansonHeath.com)

## 2) Financial Software

The Town of Rowe utilizes three financial software products:

- City & Town Software* for Payroll, Accounts Payable, General Ledger
- AssessPro Software* for Tax Assessment
- Point Software* for Tax Collection

As of June 30, 2012, City & Town Software will no longer be supported. AssessPro Software and Point Software are working well for the Town.

There will be an immediate need to replace the payroll and accounting processing.

Recommendation

The Franklin Regional Council of Governments (FRCOG) offers professional accounting service to nine communities. Services include warrant input, journal entries, reconciliation of cash and receivables, year-end closing entries, Free Cash certification and Schedule A preparation. The outsourcing of the Town Accountant function ensures qualified professionals to provide the services required to meet current accounting standards and increasingly complex program demands.

Per Robert Dean, Director of Regional Services at FRCOG, the cost of outsourcing the accounting function would range between \$17,000 and \$23,000 annually. Currently, the accounting function is maintained by three individuals: the Town Coordinator/Town Accountant, the Administrative Assistant/Accounting Assistant and the services of Scott Sawyer.

The Town Coordinator/Town Accountant is paid \$57,697 annually. The Town Accountant job description states that approximately 20-25 hours per week should be dedicated to the accounting function. Back in 2007, the Town Coordinator estimated that 10-15 hours were actually being dedicated. This would mean that between \$14,424.25 and \$21,636.38 of her 40 hour salary was related to the accounting function. The Accounting Assistant, who is allocated \$10,606 to work part time, estimated that on a weekly basis 8 hours is consumed performing the accounts payable function and 4 hours processing payroll. Additionally, the annual closing and Schedule A are prepared by Scott Sawyer, because the Town Accountant does not know how to do these accounting functions. His invoice to FY2011 was \$3,435.00.

Therefore, the current annual cost of the accounting function, excluding fringe benefits, is between \$24,931 and \$32,143, calculated as follow:

Town Accountant 10-15 hours per week	\$14,424	\$21,636
Accounting Assistant 8 of 12 hours per week	7,072	7,072
Scott Sawyer, CPA	3,435	3,435
	\$24,931	\$32,143

FRCOG's estimate of \$17,000 to \$23,000 annually is less than the current costs. In addition to being economically sound, it provides a better system of internal control than currently exists because of the other duties performed by the Town Accountant as Town Coordinator and the Accounting Assistant as Tax Assessor/Tax Collector.

The actual software used by FRCOG is Blackbaud FundWare, a state-of-the-art fund accounting product that has been in business for 27 years. It has 4,000 municipal and not-for-profit users.

This recommendation to outsource the accounting function to FRCOG was also made in the 2007 Financial Management Review prepared by the Department of Revenue. Based on their experience with communities throughout the Commonwealth, they could not understand why it required more than just one person working part time to complete the entire accounting function. Here is an extract from the DOR report:

*“The Rowe selectmen conducted a survey of 26 towns. Of the 13 towns with a population less than 2,000, hours assigned to the accounting function ranged from 5-to-15 and averaged 11.2 hours per week. Among seven of the 13 towns, one town devoted five hours to accounting and six towns devoted eight hours.”*

The transition to FRCOG on July 1, 2012 can easily be made by entering open balances from accounts payables and receivables from the year end City & Town Software. Mr. Sawyer has stated that the City & Town Software and the database of the town’s financial information will remain accessible indefinitely. The existing list of vendors should be reviewed to remove duplicates and those inactive. Since the AssessPro and Point Software are not integrated with the City & Town Software, making the transition easy.

The final bank reconciliation of June 30, 2012 will need to be exact and carefully identify outstanding checks that will be clearing after year end. As with any year end, the good cutoff of activity will be necessary. Proper planning and contracting with an organization such as FRCOG, which is experienced with municipal accounting, should make this an easy transition.

### **3) Payroll Processing**

The Town of Rowe has historically processed their payroll through the City & Town Software. With its discontinuation as of July 1, 2012, a new method of processing payroll will have to be sought.

There were definite problems noted during the review of payroll software in inconsistencies in withholdings and difficulties in report generation. Discussions with users in other towns utilizing the software indicated the same problems. Some of the towns had already chosen to discontinue use of the City & Town Software and to instead use payroll service providers.

There also are problems that exist in the filings of the quarterly Form 941’s. Although worksheets are generated by the software, the tax forms must be manually prepared, which allows numbers to be placed on the incorrect lines and wrong entries. Additionally, there are errors on the worksheets generated by the City & Town Software. For example, the original worksheet for the quarter ending March 31, 2011 calculated the FICA at 8.4% rather than 10.4% (4.2% + 6.2%). Errors such as these must be manually corrected by the Treasurer.

The forms are not always filed on a timely basis. For example, the Form 941 due on July 31, 2011 was not filed until January 12, 2012.

#### **Recommendation**

Given the complexity of the payroll and number of individuals on the payroll, it would be best to outsource the entire payroll function, including tax filings. Request for Proposals soliciting bids

of payroll processing companies should be mailed out immediately. Some financial institutions also provide these services, but since it is not their primary business, banks have historically discontinued payroll processing with changes in their management. Here are some companies that are dedicated to payroll processing that should be solicited for proposals:

Amy Avedian, Sales Consultant  
Paychex Inc.  
Sales Consultant  
Tel: 413.731.8930 x47956  
[aavedian@paychex.com](mailto:aavedian@paychex.com)

Molly Baker, Sales Representative  
ADP  
Tel: 413.297.1051  
[Molly.Baker@ADP.com](mailto:Molly.Baker@ADP.com)

Brian Kane, Account Executive  
CheckWriters Payroll  
Tel: 413.734.1351  
[BKane@checkwriterspayroll.com](mailto:BKane@checkwriterspayroll.com)

The issues surrounding the Form 941's should be immediately addressed and monitored, so as to ensure that the Town of Rowe is not assessed any penalties and interest.

#### **4) Access Restriction to Computerized Financial Information**

The City & Town Software is used by the Town Coordinator/Accountant to process bi-weekly payroll and record receipts. The part-time assistant, who works for the Town Coordinator/Accountant, processes vendor payments through the software. The Treasurer uses the Treasury module to perform reconciliations of the bank accounts and other treasury functions.

The current software is not even password protected on the computers of the users. Additionally, the users are not restricted to only their own modules. This means that they could potentially alter, intentionally or unintentionally, the work of other users without their knowledge.

##### Recommendation

Access to all software should be password protected on any user's computer, to ensure that its usage is restricted. Additionally, access by authorized users should be limited to only those modules that they are required to use. Access privileges can be offered to other approved staff and officials, but only on a "read only" level. This would permit those authorized to produce reports, but not to alter financial data entered into the system by other personnel.

A Written Information Security Plan should be established for all municipal computers, to ensure that the Town's information is protected. Additionally, there is a need to protect the Social Security Numbers and bank account information of employees using direct deposit from potential identity theft.

## **5) Reorganization of Duties**

A good system of internal control requires a separation of duties among those performing financial responsibilities. For this reason, Massachusetts law prohibits certain multiple job responsibilities:

Town Coordinator cannot hold any elected position

Town Assessor and Town Collector positions cannot be held by the same person

Town Accountants cannot serve as Town Collector or Treasurer

In the Town of Rowe, the Town Coordinator is also the Town Accountant. Additionally, the Tax Assessor is also the Tax Collector and part time Assistant Accountant. This organizational structure weakens the checks and balances that would exist by having separate individuals performing each task.

### Recommendation

The Town Coordinator should hold only that position. With the potential outsourcing of the Town Accountant function to FRCOG, this position would no longer exist within Rowe. The professional performing these responsibilities would be an employee of FRCOG.

The Town Collector, who is also the part time Assistant Accountant could continue to process payroll through a third party payroll provider, but should no longer perform any other accounting duties or have access to the accounting software.

The state law precluding the Tax Assessor and Collector from being the same person is intended to keep a separation between those who commit taxes from those that collect the payments. The positions should be separated.

## **6) Appointment versus Elected Positions**

The Tax Collector and Treasurer are elected positions. These functions require specialized knowledge and skills. Smaller communities such as Rowe may find it difficult to find a qualified pool of candidates to fulfill these functions. Operational positions such as these should be held by employees who fall under the same employment practices as all other employees.

### Recommendation

The Treasurer and Tax Collector should be made appointed positions. Under Massachusetts law, this would require a majority vote at a town meeting and subsequent acceptance by voters at a town election.

## **7) Timely Bank Reconciliations**

Both the Department of Revenue Report from December 2007 and the 2010 Management Letter from the external auditor cited a problem with the timely reconciliation of the bank account. No bank reconciliations have been provided for FY2011.

The Treasurer cited problems with the entry of deposits into the Treasury module of the City & Town Software. I did examine reports generated by the Town & Country Software that showed deposits as entered into the system and a subsequent report in which the deposits no longer appeared on the report. Had the deposits been voided, there would have been an audit trail, but there was no evidence of this. The sequential numbering of the deposits, generated by the software, was still evident in the subsequent report. I confirmed this problem with a treasurer of another town using Town & Country Software. Both had chosen to use Excel spreadsheets to keep track of deposits.

Another problem cited by the Treasurer was a large adjustment made to the opening balance annually by the Scott Sawyer, the external auditor. He explained to me that this was because he began the new fiscal year (July 1<sup>st</sup>) during the middle of June each year. This required that the activity subsequent to that rollover, during the latter part of June, had to be manually adjusted.

#### Recommendation

The activity on the bank statements should all be verified to the Excel spreadsheet of deposits and the checks recorded in the City & Town Software. Using the adjustment to the opening balance supplied by Mr. Sawyer, the monthly general ledger balances for cash should be reconciled.

The Treasurer should be asked to bring the bank reconciliation to a current status, so that the opening balance for FRCOG to use on July 1, 2012 will be accurate. All future bank reconciliations in FY2013 will be completed by FRCOG. Assistance should be given to the Treasurer, if this cannot be done in a timely manner.

### **8) Security of Town Assets and Records**

The Town Hall provides offices, computers and designated, yet flexible hours for personnel to work. However, records appear to be regularly removed from the premises, taken to the personal residences of town officials and stored there. Confidential information could be compromised, such as Social Security Numbers for employees and independent contractors. Records and documents could also be mislaid.

#### Recommendation

All records of Rowe should immediately be returned to the Town Hall and maintained in the locked offices. Documents such as W-2 forms and 1099's should be secured in locked file cabinets.

### **9) Electronic Check Processing**

Deposits are placed in the Treasurer's mailbox in the Town Accountant's Office. Since this position is part time, checks and cash could remain unattended for a period and could potentially be lost or misappropriated. Checks for deposit are currently processed manually and sent to the bank.

#### Recommendation

If Greenfield Savings Bank cannot offer customers electronic check depositing, the Town's checking accounts should be transferred to another bank (e.g., Peoples Bank) that allows for



electronic check processing free to municipalities. This will ensure the timely deposit of checks and improve cash flow. Checks can be deposited immediately at the time of receipt. Since the checks are retained, entry into the accounting records can be done at any subsequent time.

All deposits should be secured in the safe until they can be processed.

## **10) Medicare Tax Exemption**

The Treasurer has been unable to reconcile the wages per the Form 941's to the W-2's. Additionally, the Social Security Administration has sent several letters with corrections to the amount of taxable Medicare wages for employees.

In attempt to resolve this, I took every W-2 issued for calendar year 2011 and tried to reconcile the Federal, State, FICA and Medicare Wages. Medicare Wages on the W-2's were in excess of \$200,000 less than the wages reported on the Form 941's. I identified 11 employees that had \$0 in Box 6 Medicare Tax Withheld on the W-2.

Medicare tax is governed by rules that went into effect in 1986, and has been further clarified by subsequent revenue rulings. State and local government employees may be covered for social security and Medicare either by mandatory coverage, or under a Section 218 Agreement between the state and the Social Security Administration. Under some circumstances, an employee may be excluded from social security or Medicare, or both. State or local government employees hired or rehired after March 31, 1986 are covered for Medicare unless a specific exclusion applies.

State or local government employees hired before April 1, 1986 can be exempt from mandatory Medicare under the following conditions, if:

- a) The employee has been working continuously for the same state or government employer since March 31, 1986; and
- b) The employee is a member of a public retirement system, and
- c) The employment relationship was not entered into for purposes of avoiding Medicare tax.

To confirm that the 11 employees were hired prior to April 1, 1986 and members of a public retirement system at that time, I contacted Dale Kowacki of the Franklin Regional Retirement System. According to their records, only one employee was eligible for this exemption.

In contacting the Internal Revenue Service, they advised that any non-payments could be rectified by correcting the Form 941's and W-2's for 2008 and all subsequent years. They did say that willful non-payment of the Medicare Tax was not a choice. The law was also clear in differentiating between elected officials and employees who were members of a public retirement system.

### Recommendation

The Social Security Administration should be contacted and the issue resolved as to whether these other ten employees for which no Medicare Tax has been withheld are truly exempt. The wages in question for 2011 total about \$140,000.

The Form 941's may have been prepared by the Treasurer to include all of these wages, so possibly the remittances are in excess, because the Medicare Tax may have been remitted for even the one employee eligible for exclusion.

The payroll records maintained in the City & Town Software should be reviewed because hire dates were missing for some employees.

### **11) Employee Withholdings**

Several employees stated that they had problems in having the correct amount of Federal and State taxes withheld from their paychecks. Some indicated that they were told that their income level was too low to have taxes taken out, but ended up underpaid at the time of filing their taxes because of their combined income from other sources.

#### Recommendation

All employees should be issued W-4 and M-4 forms and asked to complete them. This will allow employees to designate an amount to be withheld each pay period for State and Federal taxes. These updated forms should be used in entering in the information with a new payroll service company.

### **12) BJ's Wholesale Account**

The Town of Rowe has a Rewards membership with BJ's Wholesale. An annual fee is paid by the Town to maintain this account. A review of the usage, less than \$2,000 in purchases annually, indicated that there is little value to the Town to support the fee. The Rewards were less than \$50 annually.

In conversations with BJ, the additional cards on the account should only be for employees of the Town. There are actually few employees with supplemental cards. It appeared that mainly friends and relatives are in possession of the cards.

#### Recommendation

Unless there is a reason to maintain the BJ's Wholesale membership, it should be closed.

### **13) Form 1099's**

The City & Town Software did not automatically generate the 1099 forms to independent contractors. A review of the 1099 forms indicated that some businesses were issued them in error that need not have received them. A manual selection process might also omit issuance of a form. One recipient contacted me to indicate that their amount is incorrect every year.

#### Recommendation

W-9 forms should be issued to all active vendors to request a Federal Identification Number or Social Security Number. Many organizations do this periodically to ensure that 1099 forms are issued to the proper vendors. This effort should be done now, so that proper information can be put into the new FRCOG vendor database.

Any new vendor should be required to complete a W-9 before a check will be issued. This will ensure the credibility of new information entered into the database over time.

#### **14) Proper Classification of Revenue and Expenditures**

Municipalities must adhere to budgets, allocations and restrictions on funds. Therefore, it is essential that revenues and expenditures be properly coded for entry into the accounting software. It is typical for department heads to approve expenditures and enter the chart of account code to which it should be recorded. This is done through a Purchase Order system. Likewise, revenues should be coded to appropriate restricted and unrestricted accounts.

During my review, it appears that the Library had restricted gifts and refunds of expenditures that were entered into General Funds. Refunds should be applied against the original expenditure. There are statutes that clearly dictate the use of restricted donations.

##### Recommendation

FRCOG should issue each department head the new chart of accounts, so that revenue and expenditures can be clearly identified to be coded to the correct budget lines. Department heads should be notified of changes made to their coding.

#### **15) Approval of Expenditures**

A good system of internal control is based on supervisory reviews to ensure that the work of one is monitored by another. Through inquiry, I discovered that the warrant approval process never included any review of the checks being paid. Normally it was done at the close of an evening and consisted of merely a signature.

During my review I found a payment made to Scott Sawyer for the processing of W-2's for the Town of Royalston. It was approved by the Town Accountant, entered into the accounting software by the Accounting Assistant and authorized by the Selectman for issuance of the warrant, with no question as to the validity of the payment.

##### Recommendation

Selectmen should be informed of what their responsibilities are in releasing warrants. Supervisory reviews should include looking at the invoices that are being paid. No warrant should be released without looking at the supporting documents.

#### **16) Bid Procedures**

The solicitation of competitive bids is normally the responsibility of the Town Clerk. The bid files maintained in the Town Accountant's Office consisted of a folder without the original solicitation. No written procedures have been obtained. However, it is typical for bids to be obtained for projects greater than \$5,000.

During my review, I noted that one vendor had been paid nearly \$25,000 for painting over the course of two years. When I requested the other bids, I was informed by the Town Accountant that bids were not required. I requested to see the original appropriation, which was in excess of \$50,000. That was subsequently rescinded and broken down into smaller individual jobs, all of which were under \$5,000, except the painting of the Town Hall.

It would appear that the bid process may have been intentionally circumvented. The solicitation should have requested a painter with lead paint certification as a precaution. The Town Accountant stated that public buildings are exempt from this. The Environmental Protection Agency stated that public buildings are not exempt. The Library could potentially have a child in it for six hours during a week, in which case it would require this certification of a painter.

Recommendation

Written bid procedures should be established and adhered to for all future projects. The solicitation of bids should be done through the Town Clerk.

**17) Procurement**

The Town of Rowe does not have a Massachusetts Certified Public Purchasing Official (MCPPO). The Town Accountant currently acts as the procurement agent. FRCOG has been utilized in the past to negotiate on behalf of the Town.

Recommendation

Bob Dean, the Executive Director of FRCOG said that it is possible that FRCOG could work in this capacity, since they have MCPPO on staff.

**18) Quarterly Tax Bills**

The Department of Revenue Report urged that consideration be given to issuing quarterly property tax bills instead of semi-annual. This would minimize the internal borrowing from the stabilization fund. This would greatly improve the Town's cash flow and ease the burden of the taxpayer.

**19) Review of Independent Contractors**

In reviewing the Form 1099's, it was noted that certain services are outsourced that might be done by current employees with a cost savings. For example, the services of a vendor from New Hampshire are used annually to open up the boat ramp. For 2010 and 2011, he was paid \$1,140 and \$1,200 respectively.

The Town of Rowe has three cemeteries that are mowed by two different vendors:

	<u>2010</u>	<u>2011</u>
North	\$1,956	\$1,611
East & West	\$6,564	\$6,342

Recommendation

A review by the Finance Committee of the services performed by your outside vendors should be conducted. A cost-benefit analysis could determine if these functions should be performed by employees of the Town versus independent contractors.

**20) Written Policies and Procedures**

During this period of transition, policies and procedures will change. Existing internal controls may have to be revised and new procedures will have to be documented.

### Recommendation

The Finance Committee should oversee the review and updating of the written procedures and policy manual for the Town of Rowe.

### **21) Utilization of Stabilization Funds**

The Management Letter of November 2010 that was issued by Scott Sawyer, CPA recommended retiring the Town of Rowe's capital lease obligation by using stabilization funds. With an interest rate is 5.96%, the savings would be in excess of \$100,000. The Stabilization Fund could be paid back annually an amount equivalent to what would have been paid to the lessor.

### Recommendation

An analysis should be done of the ending balances throughout the last year in the Stabilization Fund account to determine if this retiring of the debt would still be a reasonable choice for the Town to pursue.

## **In Conclusion**

The citizens and employees of the Town of Rowe are passionate about their community. Many of the recommendation made in the 2007 Financial Management Review, prepared by the Massachusetts Department of Revenue, are still true today. Serious consideration should be taken to act on the opportunities for improvement that I have cited in this report. I would recommend that a committee be formed to actually review each recommendation and determine what action, if any, should be done. A timetable should be created to ensure implementation of those actions deemed necessary. An annual review of this document should be considered, so that recommendations not immediately implemented might be again considered in the future.

JS/jos

04/11/2012

# Massachusetts Contractors Required to Maintain Lead Paint Certification

3/17/2010 11:45:00 AM

A new Federal Law set forth by the EPA requires training certification for any contractor involved in any construction activity that will or has the potential to disturb lead based paint. The new EPA rule will directly affect ALL paid renovators who work in pre-1978 housing and child-occupied facilities, including: renovation contractors, maintenance workers in multi-family housing, painters and other specialty trades. Under the rule, child-occupied facilities are defined as residential, public or commercial buildings where children under age six are present on a regular basis. The requirements apply to renovation, repair or painting activities. The rule does not apply to minor maintenance or repair activities where less than six square feet of lead-based paint is disturbed in a room or where less than 20 square feet of lead-based paint is disturbed on the exterior. Window replacement is not minor maintenance or repair.

## **What if a contractor is caught non-compliant?**

The EPA states on their website that those found in non-compliance could face hefty daily fines of up to \$32,500 per violation / per day until both the individual and firm are compliant.

[http://www.berryinsurance.com/contact-us/our-blog/Massachusetts\\_Contractors\\_Required\\_to\\_Maintain\\_Lead\\_Paint\\_Certification.aspx](http://www.berryinsurance.com/contact-us/our-blog/Massachusetts_Contractors_Required_to_Maintain_Lead_Paint_Certification.aspx)