

**BOROUGH OF RED BANK
COUNTY OF MONMOUTH
RESOLUTION NO. 21-75**

**A RESOLUTION REGARDING THE BOROUGH OF RED BANK
REPORT OF AUDIT FOR THE YEAR ENDED DECEMBER 31, 2019 AND CORRECTIVE
ACTION PLAN REQUIRED BY FEDERAL OMB CIRCULAR REFERENCE NUMBER A-133**

WHEREAS, the New Jersey Department of Community Affairs, Division of Local Government Services, requires that all municipalities prepare and submit a Corrective Action Plan as part of their annual audit process; and

WHEREAS, the report of audit for the Borough of Red Bank for the year ended December 31, 2019 was prepared on or about February 16, 2021; and

WHEREAS, the governing body of the Borough of Red Bank approved this report of audit and has undertaken a Corrective Action Plan to cover the two (2) recommendations in the audited report as listed below;

Condition #2019-001: At the time of audit there was no readily available method of reconciling individual contractor accounts to the balance of record in the finance office. There is a large unreconciled balance in the account. Furthermore, based on discussions with management there are special duty assignments undertaken without the required escrow being first deposited as is required by Article III Section 118-17 of the Borough Code, and Local Finance Notice 2000-14. Based on further discussions with management it is likely that the Borough has not realized the full value of administrative fees paid into the system and those fees are likely a partial explanation for the large unreconciled balance in the account. Also, the Borough does not have a proper detail related to the Tax Sale Premium account, there is a large unreconciled difference between the detail available and the Edmunds system control total. There are also two reserves for which there was no dedication.

Recommendation #2019-001: We recommend that the Borough reassess the policies and internal controls related to the Trust Fund. Based upon that reassessment the Borough should design and implement a set of internal controls that reasonably assure that financial statements are prepared and presented without material misstatement and that the trust fund is administered in accordance with the requirements of the Borough Code and the Division of Local Government Services. Furthermore, an accounting should be made of the unreconciled funds in the account and a determination should be made with respect to the disposition(s) of those funds.

Corrective Action #2019-001: The Outside Employment of Police Trust Account database application will be enhanced to provide reporting capabilities that will address the reconciliation needs of the Finance office as well as track the accumulation of administrative fees. This measure will entail the Chief Financial Officer to review the Police Department's database record keeping, scope out the requirements, and implement a solution that will satisfy the audit condition. Punctual reconciliation work of the Tax Sale Premium account has been addressed in calendar year 2020 with the training of staff.

Implementation Date: By September 30, 2021.

Condition #2019-002: There was an overexpenditure of funds related to the interest on notes line item.

Recommendation #2019-002: We recommend that the Borough's budget line items be monitored continuously. Also, the CMFO should review budget line items prior to year end, in order to determine if transfers are required.

Corrective Action #2019-002: This is attributable to a timing difference during the budget adoption process, coupled with transition and sufficient staffing in the Finance office from acting to appointed Chief Financial Officer. There had been no monies budgeted for interest on notes. Budget line items are routinely monitored throughout the year and with greater frequency immediately prior to year-end.

Implementation Date: By March 10, 2021.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Red Bank that the report of audit for the year ended December 31, 2019 prepared by Charles J. Fallon, C.P.A/R.M.A., of the firm of Fallon & Larsen LLP, the Borough Auditors, entitled "Comprehensive Annual Financial Report of the Borough of Red Bank for the Fiscal Year Ending December 31, 2019 has been previously accepted by the Borough of Red Bank and a Corrective Action Plan has been implemented to cover all findings and recommendations in the audit report and the appropriate steps have been taken as to these comments and recommendations as more particularly set forth above.

	Motion	Yes	No	Abstain	Absent
Councilman Yassin					
Councilwoman Triggiano					
Councilman Ballard					
Councilman Yngstrom					
Councilman Zipprich					
Councilwoman Horgan					

Dated: March 10, 2021