

**BOROUGH OF RED BANK
COUNTY OF MONMOUTH
RESOLUTION NO. 22-86**

**RESOLUTION REGARDING THE BOROUGH OF RED BANK REPORT OF AUDIT FOR THE YEAR ENDING
DECEMBER 31, 2020 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, 2020 was prepared on or about February 25, 2022; 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 (3) recommendations in the audited report as listed below:

Condition #2020-001: The general ledgers of the following funds were incomplete: Current Fund, Trust Fund, Payroll Trust Fund, Capital Fund and Water Sewer Operating Fund and the General Fixed Asset Account Group. There is no evidence of a recent fixed asset inventory.

Recommendation #2020-001: We recommend the Borough reassess its policies and the design and implementation of its system of internal controls related to the preparation and presentation of financial statements that are fairly stated and free of material misstatement. Improvements should be made to the system based on that reassessment.

Corrective Action #2020-001: We have spent the last four month reviewing and, in some cases, rebuilding the subsidiary ledgers for the Payroll, Trust Other, Grants and the Operating Funds. We have completed adjusting entries to the general ledger to bring the general ledger and subsidiary ledgers into agreement and have posted the tax and budget entries to the 2021 and 2022 ledgers.

Regarding fixed assets, the Finance department will review existing records to determine vehicle, equipment and building existence. Using Borough records for fixed assets, we will verify these against the clerk's records and property tax records and on a go forward basis use Edmunds to record the existing assets and acquisition of new assets.

Implementation Date: Completed.

Condition #2020-002: At the time of the 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 that have been 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.

Recommendation #2020-002: We recommend that the Borough reassess the policies and internal controls related to the Special Duty Police 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 2020-002: The Special Duty Trust Fund was analyzed in December, 2021 and we identified the active extra duty accounts and have taken the majority of the excess as anticipated and

unanticipated revenue in 2021. In addition, we are working with the police department to collect any outstanding duties and are working with the Chief to determine if a third-party solution for the administration of police extra duties would be beneficial to the Borough.

Implementation Date: In progress.

Condition #2020-003: The Borough did not file its annual UCC report with the state in a timely manner as required.

Recommendation #2020-003: Appropriate policies and procedures should be implemented to reasonably assure the annual report is submitted to the state in a timely manner.

Corrective Action #2020-003: The UCC report for 2020 has been filed.

Implementation Date: Completed.

Condition #2020-004: The Borough did not have a review performed on its Length of Service Award Program in a timely manner.

Recommendation #2020-004: Appropriate policies and procedures should be implemented to reasonably assure the Length of Service Award program is reviewed in a timely manner in accordance with the Division of Government Services.

Corrective Action #2020-004: We engaged Fallon & Company LLP to review the Length of Service Award program.

Implementation Date: In progress.

	MOVED	SECONDED	AYES	NAVS	ABSTAIN	ABSENT	
Councilwoman Mirandi			x				
Councilwoman Sturdivant			x				
Councilwoman Triggiano			x				
Councilman Ballard		x	x				
Councilman Zipprich			x				
Councilwoman Horgan	x		x				
Mayor Menna							
ON CONSENT AGENDA			Yes <u>x</u>	No <u> </u>			

I hereby certify that the above Resolution was adopted by the Borough Council of the Borough of Red Bank, In the County of Monmouth at a Meeting held on April 13, 2022.

Laura Reinertsen

Laura Reinertsen, Borough Clerk