

**BOROUGH OF RED BANK  
COUNTY OF MONMOUTH  
RESOLUTION NO. 19-289**

**RESOLUTION REGARDING THE BOROUGH OF RED BANK  
REPORT OF AUDIT FOR THE YEAR ENDED DECEMBER 31, 2018 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, 2018 was prepared on or about November 26, 2019; 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 #2018-001: 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 #2018-001: 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 #2018-001: This condition is attributable to a four month transition process to refill the appointed Chief Financial Officer position that remained absent during such time. Accurate and up to date general ledgers will be maintained by the Chief Financial Officer. This is a top priority need. The Borough will employ the services of a firm specializing in cataloguing fixed assets to reflect an up to date inventory.

Implementation Date: By September 30, 2020.

Condition #2018-002: At the time of audit there was no readily available method of reconciling individual contractors' accounts, for the Outside Employment of Police Trust Account (Special Duty Police Assignments), 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 #2018-002: 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 #2018-002: 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 newly appointed Chief Financial Officer to become aquainted with the Police Department's record keeping, scope out the requirements, and implement a solution that will satisfy the audit condition.

Implementation Date: By September 30, 2020.

Comment #2018-003: Fourth Quarter Pension reports were not filed with the state in a timely manner.

Recommendation #2018-003: All pension reports should be filed on time as required by the State of New Jersey.

Corrective Action #2018-003: This condition is attributable to a four month transition process to refill the appointed Chief Financial Officer position that remained absent during such time. Quarterly pension reports will be filed in a timely manner with the State.

Implementation Date: By December 31, 2019.

Comment #2018-004:

Expenditures: Our examination of expenditures revealed deficiencies in the application of the Borough’s internal control policies and procedures over expenditures. There was no purchase order date for 14 of 40 items tested. The invoice for 1 of 40 items tested was not attached to the purchase order. The invoice date for 3 of 40 items tested was prior to the purchase order date. Competitive quotes for 1 of 40 items tested was not obtained.

Water/Sewer Utility Billing: Our examination of water/sewer billing registers revealed that the third quarter 2018 billing was not in accordance with the Borough’s rate ordinance. Numerous accounts were over-billed. The accounts were not re-billed for this error.

Construction: Our examination of permit fees collected by the construction department revealed that these fees were not in accordance with the Borough’s rate ordinance. The Certificate of Occupancy fee for 2 of 10 items tested was not properly charged. The Fire Permit Fee for 1 of 10 items tested was not properly charged.

Recommendation #2018-004: Policies and internal controls related to purchasing, utility billing, and the collection of construction fees should be reassessed for the specific deficiencies noted above and improved upon based on the results of that reassessment

Corrective Action #2018-004: Staff training, policies and processes will be implemented to directly address the expenditure issues identified by the audit. An extra verification step has been implemented by the tax collection office to ensure accurate water/sewer utility billings. Billing corrections for water consumption will be mailed mid to late January 2020; third quarter 2018 sewer billing was correct. A vendor hired to maintain the construction’s information technology system incorrectly configured the system with permit fees that were lower than the Borough’s rate ordinance. This configuration error has been corrected.

Implementation Date: By January 31, 2020.

**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, 2018 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, 2018 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	Motion	X			
Councilwoman Triggiano		X			
Councilman Ballard					X
Councilman Yngstrom		X			
Councilman Zipprich	Second	X			
Councilwoman Horgan		X			

Dated: December 11, 2019