

Borough of Demarest
Bergen County
118 Serpentine Road
Demarest, NJ 07627

Audit Report Fiscal Year December 31, 2021

CORRECTIVE ACTION PLAN

Schedule of Comments and Recommendations:

FINANCE

Comment 1 (A Prior Year's Recommendation)

Construction fees charged did not agree to the respective municipal fee ordinance.

Recommendation:

Construction Code fees be charged in accordance with the Municipal fee ordinance.

Explanation and Corrective Action:

The Borough is in the process of updating the current Municipal Fee ordinance to include all fees charged by the Construction Department.

Comment 2 (A Prior Year's Recommendation)

The detailed ledger escrow by applicant is not in agreement with the general ledger.

Recommendation:

The detailed escrow sub-ledger be reconciled with the general ledger on a monthly basis.

Explanation and Corrective Action:

The finance department is implementing procedures to review and reconcile the escrow ledgers on a monthly basis.

Comment 3 (A Prior Year's Recommendation)

Trust fund escrow accounts were in a deficit position at year-end.

Recommendation:

Trust fund escrow accounts be reviewed to ensure sufficient funds exist prior to the payment of bills.

Explanation and Corrective Action:

Greater care will be taken by to ensure sufficient funds exist prior to making escrow payments.

Comment 4 (A Prior Year's Recommendation)

The Recreation Department 2021 fee schedule was not submitted to the Governing Body for their approval.

Recommendation:

The Recreation Department fee schedule be submitted to the Governing Body for their approval.

Explanation and Corrective Action:

The Recreation Department has been instructed by the Borough Administrator to submit all fee schedules to the Governing Body prior to implementation.

Comment 5 (A Prior Year's Recommendation)

Purchase orders were not created until the goods or services were rendered or the invoice was received from the vendor.

Recommendation:

Purchase orders be encumbered prior to the ordering of goods and services.

Explanation and Corrective Action:

All departments have been instructed that all goods and/or services must be encumbered prior to ordering and goods and/or services.

Comment 6 (A Prior Year's Recommendation)

Prior years' outstanding purchase orders remain open in the Current Fund.

Recommendation:

Continued efforts be made to review prior years' open purchase orders for validity and action be taken to clear off the record where appropriate.

Explanation and Corrective Action:

The Finance Department will take greater care in reviewing prior years' open purchase orders for validity and void those that are no longer valid.

Comment 7

Unexpended balances of the various General Capital improvement authorizations were not in agreement with the audit. Balances previously cancelled by the Borough were not recorded in the internal accounting records.

Recommendation:

The general capital improvement authorization balances agree with the municipal audit

Explanation and Corrective Action:

The finance department will review all general capital improvement authorizations and reconcile to the audit report. Additionally, the finance department will review the general capital authorizations on a regular basis throughout the year.

Comment 8

Internal Revenue Service (IRS) Form 1099 were not issued to vendors who were paid in excess of \$600 from the Borough.

Recommendation:

The Borough issue at year end IRS Form 1099 as required.

Explanation and Corrective Action:

The Borough has hired a payroll/accounts payable clerk which will be responsible for the issuance of year end Form 1099's.

Comment 9

An individual hired during 2021 received health benefits from the Borough but did not contribute towards his/her health insurance premium as required by law.

Recommendation:

All employees contribute towards their health insurance as required by law.

Explanation and Corrective Action:

Payroll has been instructed to review all employees that are receiving health benefits to ensure proper employee contributions are made. Additionally, greater care will be taken when new personnel are hired that all necessary deductions are withheld through payroll.

Comment 10

The surety bond coverage for the current Tax Collector was not updated nor in effect for the period July 1, 2021 to December 31, 2021.

Recommendation:

The Borough secure surety bond coverage for the Tax Collector as required by law.

Explanation and Corrective Action:

The Borough will secure a surety bond for the current Tax Collector as required by law.

Comment 11

Employee's overtime sheets are not maintained in the payroll department. In addition, the individual's overtime form is not always approved by the person's direct supervisor and/or director.

Recommendation:

The Borough develop a formal policy that standardized the processes and required approvals for employee overtime.

Explanation and Corrective Action:

The payroll department now maintains all overtime sheets as part of each payroll cycle. Additionally, the payroll clerk has been instructed to only process overtime that has been approved by the employees supervisor and/or director.

Comment 12

The Borough's fixed asset records were not updated in a timely manner.

Recommendation:

Fixed asset records be currently updated and consideration be given to integrate the fixed asset accounting system with the Borough's purchasing system.

Explanation and Corrective Action:

The Borough will update the fixed asset records. The Borough will also work with its third party accounting system provider to possibly integrate the fixed asset reporting with its current purchasing system.

Comment 13

Payments were made in excess of the bid threshold, where bids had not been previously sought by public advertisement or where a resolution had not been previously adopted under the provisions of NJS 40A:11-6.

Recommendation:

Internal control procedures over purchasing be reviewed and revised to ensure that the Borough complies with the Division of Local Government Services Technical Directives and New Jersey Administrative Code.

Explanation and Corrective Action:

The Borough Administrator will work to implement purchasing procedures to that will ensure the Borough complies with the Division of Local Government Services Technical Directives and New Jersey Administrative Code.

Comment 14

Various bank reconciliations contained invalid reconciling items. Adjustments were required to bring the respective cash balances in agreement with the general ledger and subsidiary records.

Recommendation:

All reconciling items included on the monthly bank reconciliations be timely reviewed and if necessary adjusted in the Borough's financial accounting records.

Explanation and Corrective Action:

Bank reconciliations are being performed on a monthly basis and any necessary adjustments are posting in a timely manner.