

Resolution of the Demarest Governing Body

Resolution No. 163-24

October 15, 2024

Council Member	Motion	Second	Yes	No	Abstain	Absent
Jiang						✓
Fox		✓	✓			
Marks			✓			
Slowikowski			✓			
Reiss			✓			
Collins	✓		✓			

TITLE: ADOPTION OF CORRECTIVE ACTION PLAN FOR ANNUAL AUDIT

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WHEREAS, the Annual Report of Audit for the year 2023 was filed with the Municipal Clerk pursuant to N.J.S.A. 40A:5 on 2024; and

WHEREAS, the Governing Body have personally reviewed, as a minimum, the Annual Report of Audit, and specifically the sections of the Annual Audit entitled "Findings and Recommendations," have signed the group affidavit form, and adopted the resolution of certification; and

WHEREAS, the CFO has filed the attached Corrective Action Plan pursuant to N.J.S.A 40A: 5; and

WHEREAS, N.J.S.A. 40A:5 requires the Governing Body to adopt by resolution the Corrective Action Plan within 60 days of receipt of audit;


NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Demarest that the Corrective Action Plan is hereby approved



Brian Bernstein, Mayor

CERTIFICATION

I, Julie Falkenstern, Acting Borough Clerk, of the Borough of Demarest, in the County of Bergen and the State of New Jersey do hereby certify that the foregoing Resolution is a true copy of the original resolution duly passed and adopted by the Governing Body at the meeting on October 15, 2024



Julie Falkenstern, Acting Borough Clerk

Borough of Demarest

SCHEDULE OF AUDIT FINDING, RECOMMENDATIONS, AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2023

Finding #1

Finding/Description: Certain fees charged by the Construction Code Department did not agree to the respective municipal fee ordinance

Recommendation: All Construction Code fees charged agree with the Municipal fee ordinance.

Corrective Action: TBD

Implementation Date/Status: Building department is working with the Finance department to ensure all fees agree are properly booked.

Finding #2

Finding/Description: Escrow deposits revealed that the detailed ledger by applicant is not in agreement with the general ledger

Recommendation: The detailed Trust Fund escrow sub-ledger be reconciled with the general ledger on a monthly basis. Furthermore, the Trust Fund escrow accounts be reviewed to ensure sufficient funds exist prior to the payment of bill.

Corrective Action: All escrow accounts are reconciled on a monthly basis and availability of funds are confirmed before payment of bills and/or closing of accounts.

Implementation Date/Status: Correction began in January 2024 and is on going

Finding #3

Finding/Description: The Recreation Department annual 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 and the Department's financial records be available for audit.

Corrective Action: Recreation Department fee schedule will be submitted to the Governing Body for their approval. Schedule was requested again from the Recreation Committee.

Implementation Date/Status: On going

Finding #4

Finding/Description:

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, New Jersey Administrative Code and the Local Public Contracts Law.

Corrective Action: Appointed Julie Falkenstern as QPA to ensure all Division of Local Government Services Technical Directives, New Jersey Administrative Code and the Local Public Contracts Law are complied with.

Implementation Date/Status: : Correction began in January 2024 and is on going

Finding #5

Finding/Description: Form 1099 were not issued to vendors who were paid

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

Corrective Action Required 1090's are filed, and going forward we will look to have outside vendor/ accounting firm prepare necessary 1099 filings, to insure proper and accurate filing.

Implementation Date/Status: Filed on Jan 2024 and On going

Finding #6

Finding/Description: Employee's overtime sheets are not maintained in the payroll department

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

Corrective Action: All overtime is approved by the department head and submitted to finance where the overtime payroll files are maintained.

Implementation Date/Status: On going

Finding #7

Finding/Description: 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.

Corrective Action: Will be tracking all fixed assets on Edmunds. Will look to engage a firm to do a fixed asset inventory.

Implementation Date/Status: On going

Finding #8

Finding/Description: Certain account balances per the general ledger control accounts were not in agreement with the December 2023 bank reconciliation balances

Recommendation: The cash balances reported on the general ledger control accounts agree with the monthly bank reconciliation balances. In addition, monthly bank reconciliations be prepared timely.

Corrective Action: Accounts are being corrected during the conversion to Edmunds, bank reconciliations are being prepared monthly by the finance staff and reviewed by the CFO.

Implementation Date/Status: On going

Finding #9

Finding/Description: improvement authorization ledger (status report) was not in agreement with audited balances

Recommendation: The general capital improvement authorization ledger balances be adjusted to agree with the audited balances.

Corrective Action: All accounts will be updated in a

Implementation Date/Status:

Finding #10

Finding/Description:

Recommendation: All budget modifications for special items of revenue and appropriation (Ch. 159 resolution) be submitted to the State for approval.

Corrective Action: All budget modifications will be submitted to the State for approval and run past the accounting firm for accuracy.

Implementation Date/Status: On going

Finding #11

Finding/Description: Certain 2023 budget appropriations and 2022 appropriation reserve budget accounts were over expended at December 31, 2023

Recommendation: The Borough review its internal control procedures to ensure that sufficient funds are available prior to the expenditure of funds.

Corrective Action: Budget accounts are monitored on a regular basis to ensure that sufficient funds are available.

Implementation Date/Status: On going

Finding #12

Finding/Description: Police Outside Detail invoices were not available at the time of audit

Recommendation: The Borough maintain the Police Outside Detail billing ledger and retain all vendor invoices for audit.

Corrective Action: All outside duty files are maintained on a monthly basis and rebilled. A new system has been implemented to track the invoicing and receipt of payments from outside duty rebilling.

Implementation Date/Status: On going

Finding #13

Finding/Description: Unemployment Insurance payroll withholdings were not deposited into the Unemployment Trust bank account

Recommendation: All employee Unemployment Insurance payroll withholdings be deposited into the Unemployment Insurance bank account.

Corrective Action: Will be deposited into the correct account.

Implementation Date/Status: On going

Finding #14

Finding/Description: The 2023 Uniform Construction Code annual report was filed with the State of New Jersey. Documentation supporting the department revenues and expenditures as summarized in the annual report was not available for audit.

Recommendation: Documentation supporting the annual Uniform Construction Code financial report be retained and available for audit.

Corrective Action: The Form will be timely prepared and retained to be available for audit.

Implementation Date/Status:

Finding #15

Finding/Description: There are several old receivable balances that appear to be uncollectible in the General Capital Fund

Recommendation: The Borough take appropriate action to collect the prior year General Capital Fund grant receivables and/or clear the receivables of record.

Corrective Action: Capital are being corrected and updated.

Implementation Date/Status: On going

Finding #16

Finding/Description: Borough did not always independently verify that the respective federal and state taxes were properly filed and remitted

Recommendation: The Borough independently verify that all federal and state tax payments remitted by the payroll service provider are made by the required due dates.

Corrective Action: An account is being set-up to allow access to the CFO to review/confirm all tax payments with the IRS and state tax payments to confirm taxes were properly remitted. The registration was done online and awaiting registration from IRS.

Implementation Date/Status: on going

Finding #17

Finding/Description: Payroll agency ledger by deduction is not maintained by the Borough

Recommendation: A payroll agency ledger by deduction be implemented, currently maintained and be reconciled with the monthly bank reconciliations

Corrective Action: Payroll Clerk was hired and Payroll is reconciled monthly

Implementation Date/Status: Jan 2024

Finding #18

Finding/Description: The Annual UCC report was not reconciled with amounts reported in the Borough's budgetary accounting system

Recommendation: The Annual UCC report be in agreement with the Borough's budget reports and the internal accounting records.

Corrective Action: UCC report will be in agreement with the boroughs budget reports

Implementation Date/Status: On going

Finding #19

Finding/Description: There are differences with the pension withholdings deducted from the employees payroll checks to the amounts reported in the State's quarterly pension reports.

Recommendation: The employees' pension withholdings be reconciled with the State's quarterly pension reports.

Corrective Action: Will reconcile the pension with holdings with the state quarterly pension report.

Implementation Date/Status: on going

Finding #20

Finding/Description: Noted differences with the required employee health insurance contributions (Chap. 78) and the amounts deducted from the employee's salary.

Recommendation: The employee health insurance contributions be reviewed to ensure that the calculation is in agreement with the New Jersey statutes.

Corrective Action: Will calculate health insurance contributions to agree with the NJ statutes

Implementation Date/Status: on going