

**TOWNSHIP OF FRANKLIN
COUNTY OF GLOUCESTER
R-53-16**

**RESOLUTION AUTHORIZING THE ADOPTION
OF A CORRECTIVE ACTION PLAN**

WHEREAS, the 2014 Annual Audit of the Township of Franklin, conducted by Bowman and Company contained recommendations requiring actions; and

WHEREAS, the recommendations have been reviewed by the Township's Chief Financial Officer; and

WHEREAS, the Chief Financial Officer, in accordance with the requirements promulgated by the New Jersey Division of Local Government Services, has developed a plan to address the recommendations listed by the auditor;

NOW THEREFORE BE IT RESOLVED by the Mayor and Committee of the Township of Franklin, County of Gloucester, State of NJ, that the Corrective Action Plan for the 2014 Annual Audit, hereto attached, is hereby approved and accepted; and

BE IT FURTHER RESOLVED, that the Municipal Clerk is hereby directed to transmit a certified copy of this resolution and its attachments to the New Jersey Division of Local Government Services.

ADOPTED at a meeting of the Township Committee of the Township of Franklin held on February 9, 2016.

Attest:

Township of Franklin

Barbara Freijomil, Clerk

Sheryl Neely, Mayor

CERTIFICATION

I, Barbara Freijomil, Clerk of the Township of Franklin, do hereby certify that the foregoing Resolution was presented and duly adopted by the Township Committee at a meeting held on Tuesday, February 9, 2016.

Barbara Freijomil, Clerk

Township of Franklin
Corrective Action Plan
2014 Audit Report

Finding No. 2014-001

Condition: The Township did not maintain a fixed asset accounting system in accordance with NJAC 5:30-5.6

Context: The Township did not maintain a fixed asset accounting system for 2014 as required by State Administrative Code.

Effect: As a result of the non-existence of controls over the Township's fixed asset records, the General Fixed Asset Account Statements could not be prepared and audited resulting in a qualified opinion being issued on the General Fixed Asset Account Group.

Cause: Internal control policies and procedures are not in place to properly maintain the fixed asset accounting system.

Recommendation: That internal control policies and procedures should be developed to properly maintain the general fixed asset accounting system in accordance with NJAC 5:30-5.6

View of Responsible Officials and Planned Corrective Action: The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Corrective Action Plan: The Township Committee, by resolution in December of 2015, created a minimum dollar value for items to be subject to the fixed asset inventory. The Township will solicit price quotes from qualified vendors to create a fixed asset inventory to be maintained by the Township.

Township of Franklin
Corrective Action Plan
2014 Audit Report

Finding No. 2014-002

Condition: The Township did not prepare an actuarial valuation report which reports the estimated liability for post-employment health care, prescription and dental benefits required to be disclosed in the Notes to Financial Statements.

Context: An actuarial valuation report has not been prepared for the year December 31, 2014.

Effect: Non-compliance with Governmental Accounting Standards Board Statement No. 45 and rules promulgated by the Division of Local Government Services.

Cause: The Township's officials were unaware of this requirement; this disclosure should have first appeared in the December 31, 2010 report.

Recommendation: That the Township engage an actuary in order to provide the necessary information to comply with Governmental Accounting Standards Board Statement No. 45.

View of Responsible Officials and Planned Corrective Action: The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Corrective Action Plan: The Township will solicit the appropriate actuarial so that it can come into compliance with GABS 45.

Township of Franklin
Corrective Action Plan
2014 Audit Report

Finding No. 2014-003

Condition: The Township's Statement of Reserve for Federal and State Grants – Appropriated reflects an over-expenditure in the Municipal Alliance Grant in the amount of \$26,854.09 and the Statement of Improvement Authorizations reflects an over-expenditure in the Construction of Certain Road Improvements ordinance in the amount of \$29,851.55.

Context: Resolutions amending the budget and appropriating the above grant was not completed during the year. Also there appears to be a lack of appropriate monitoring of the grant fund and general capital fund budget account status reports.

Effect: Non-compliance with NJSA 40A:4-57.

Cause: Effective internal control policies and procedures over budgeting, encumbrance accounting, and cash disbursements have not been established to ensure that there are sufficient appropriations for expenditures charged.

Recommendations: That the Township develops effective internal controls over budgeting and encumbrance accounting to ensure there are sufficient appropriations for expenditures charged prior to the commitment and disbursement of funds.

View of Responsible Officials and Planned Corrective Action: The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Corrective Action Plan: The Township, during 2015, began to include the road program and other capital grants within a capital ordinance so that the municipal budget will not be affected by those grants. As the funds are spent, the reimbursement requests are processed by the engineer, and upon receipt the grant funds are posted against the capital ordinance. Also, staff have been trained on proper purchasing processes, how to utilize the Edmunds financial package for purchasing which results in the automatic encumbrance of funds, the Administrator through an ordinance change is now part of the approval process, the purchasing process has been articulated in writing to staff and professionals.

Township of Franklin
Corrective Action Plan
2014 Audit Report

Finding No. 2014-004

Condition: The Township's accounting system for tax title lien redemptions and premium accounts were not properly maintained during the last three months of the year. In several instances, supporting documentation for tax title lien redemption cash receipts and disbursement could not be located.

Context: An analysis of the tax title lien redemption and premium accounts was not properly maintained to reflect the current year activity and year end balances.

Effect: The tax title lien redemption and tax premium escrow balances could not be identified and allocated by block/lot or certificate number.

Cause: Personnel changes occurred in the tax office with the September 30, 2014 retirement of the long term tax collector. Internal control policies and procedures that were in place were changed and /or not followed which lead the records not being properly maintained.

Recommendation: That internal control policies and procedures should be developed to properly maintain the accounting records for the tax title lien redemption and premium accounts and balances.

View of Responsible Officials and Planned Corrective Action: The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Corrective Action Plan: During 2015, the tax office prepared requests for lien reimbursements to the CFO's office for processing and lien redemption issuance. The CFO's office is reconciling those lien redemptions. Also, not pointed out in the cause above, but certainly relevant, is the former CFO utilized the premium account funds to meet financial obligations during 2014. Those funds were never transferred back to the premium account which resulted in the funds paid for premiums being mixed in with current funds and not segregated. Premiums paid during the 2014 and 2015 tax sale are held in a separate account as required. The Township will work with the fee consultant to recapture the premiums.