

BOROUGH OF MENDHAM
MORRIS COUNTY, NEW JERSEY

RESOLUTION # 118-2024

**RESOLUTION APPROVING THE CORRECTIVE ACTION PLAN FOR THE
ANNUAL AUDIT REPORT FOR CALENDAR YEAR 2023**

WHEREAS, the New Jersey Budget and Fiscal Affairs laws require all local governments to prepare and submit a Corrective Action Plan as part of their annual audit process; and

WHEREAS, the Corrective Action Plan, which was prepared by the Chief Financial Officer and placed on file with the Borough Clerk within 60 days from the date the audit report was received by the governing body, outlines action the Borough of Mendham will take to correct the recommendations listed in the Comments and Recommendations section of the 2023 Audit report; and

WHEREAS, the governing body is required to review and to approve the Corrective Action Plan.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Mendham that they hereby approve the Corrective Action Plan prepared by the Chief Financial Officer in response to the 2023 Audit Report; and

BE IT FURTHER RESOLVED that the Municipal Clerk shall file a certified copy of this Resolution with the Director of the Division of Local Government Services.

This resolution shall take effect immediately.

Dated: July 22, 2024

ATTEST

BOROUGH OF MENDHAM

Lauren McBride, Borough Clerk

Christine Serrano Glassner, Mayor

Attachment: Corrective Action Plan

BOROUGH OF MENDHAM

CORRECTIVE ACTION PLAN FOR THE ANNUAL AUDIT REPORT FOR CALENDAR YEAR 2023

The Corrective Action Plan, which outlines actions the Borough of Mendham will take to correct the recommendations listed herein, has been prepared in accordance with State requirements. A copy of the Corrective Action Plan will be placed on file and made available for public inspection in the Office of the Municipal Clerk in accordance with law and as required by Local Finance Notice CFO-97-16.

Contact: Erick Mesias, Chief Financial Officer

1. Segregation of Duties

Description: An adequate segregation of duties be maintained with respect to the recording and treasury functions.

Analysis: Due to the limited number of Borough personnel and the decentralized nature of governmental collection procedures there is a concentration of duties and responsibilities among a limited number of employees.

Corrective Action/Implementation Date:

- In 2022 and 2023 the Borough was able to achieve partial resolution to this recommendation.
- Bank deposit of Receipts duties were segregated from the CFO.
- Remote Deposit Capture was implemented for checks and is utilized by the Finance Clerk and the Tax Collector/Utility Billing Clerk.
- MSI/Edmunds functionality for posting tax and sewer receipts was not available in 2022 and 2023 and caused segregation to be limited.
- The MSI/Edmunds functionality for posting tax and sewer receipts was made available in the second quarter 2024 to municipalities.
- The new MSI/Edmunds functionality for posting tax and sewer receipts was onboarded into the Borough's MSI/Edmunds finance system on 07/19/2024.
- The required functionality to address this issue has been resolved.

2. Purchase Orders

Description: Purchase order be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Analysis: During the review, it was noted that there were Purchase Orders that were prepared and approved after the goods and services were ordered and obtained.

Corrective Action/Implementation Date:

- The Borough purchased the MSI Finance Program System in 2022.
- Subsequently a few months later MSI was then sold to EDMUNDS.

- EDMUNDS/MSI did not provide the functionality for Blanket Purchase Order drawdowns via requisition until early 2024.
- This compliance issue will be significantly resolved with the Blanket Purchase Order drawdown functionality.
- Compliance with one-time vendor purchases has improved significantly since MSI onboarding in 2022.
- The Borough's purchasing procedures are continually reviewed with department personnel and are at bi-weekly Department Head meetings.
- Proper prior approval of the purchase of goods and services implementation will be fully implemented with the new EDMUNDS/MSI functionality which will be onboarded by August 2024.

3. Payroll

Description: Greater care be taken when calculating employee health benefit contributions.

Analysis: During the review, it was noted that certain employee health benefit contributions were calculated using incorrect contribution percentages.

Corrective Action/Implementation Date:

- This was a one-time incident by the Borough's 3rd party payroll processing provider, Action Data Services, who inadvertently used the wrong SHBP Program employee deductions schedule.
- The issue was identified by the Borough's Payroll Clerk in February 2023 and corrected by the Borough within 90 days.
- Since the Borough identified and corrected the employee SHBP payroll deductions within 90 days, the Borough does not concur that this is an audit issue.
- Going forward, the Borough CFO will provide closer supervision of ADS and will require written certification from the Payroll Company annually in January that deductions are per the Borough's SHBP 1073 Plan.