

TO: Finance, Purchasing, Tax Collection, Payroll Departments
FROM: Connie Carpenter, CFO
Re: Corrective Action 2021 Audit Findings
DATE: September 27, 2022

Prior year Findings Unresolved

Finance

1. Our audit revealed the balance reported in the Other Trust Fund for developer escrow deposits is not in agreement with the individual developer account balances per the subsidiary reports as of December 31, 2021. Additionally, old inactive and deficit balance of developer escrow deposits be reviewed and cleared of record.

Payroll

1. Our audit of payroll revealed Retro payments made to certain employees were incorrectly calculated resulting in payments made in excess of or under the retro amount due the respective employee.

Current Year Findings

Finance

1. Our audit revealed that certain budgetary line items in the 2021 appropriations and 2020 appropriation reserves were over expended on December 31, 2021.
Recommendation: Internal procedures be reviewed to ensure that sufficient budget appropriations are available prior to the expenditure of funds.
2. Our audit indicated that the November and December 2021 bank reconciliations were not prepared for the Borough's Net Payroll account.
Recommendation: Monthly bank reconciliation of the Net Payroll account be prepared in a timely manner.
3. Our audit of the Affordable Housing Trust Fund revealed the annual financial report was not updated and available for audit for the year ended December 31, 2021.
Recommendation: The annual financial report for the Affordable Housing Trust Fund be updated and made available for audit.
4. Our audit of the Electric Utility Operating Fund revealed unallocated receipts in the amount of \$121,263 exist as of December 31, 2021.

Recommendation: Electric Utility Operating Fund revenues be reconciled to the subsidiary reports on a monthly basis.

Payroll

1. Our audit of payroll revealed the following:
Certain terminated employees were incorrectly paid subsequent to their termination dates.
2. Employee health benefit contributions and health benefits opt-out payments are properly calculated.

Purchase

1. Our audit revealed purchase orders were not issued and encumbered in the Borough's accounting records for certain contracts awarded during the year. In addition, we noted certain contract award were not accompanied by a certification of availability of funds.
Recommendation: Procedures over purchasing be reviewed and revised to ensure purchase orders are issued and encumbered when contract awards are approved during the year. In addition, certification of availability of funds be made and accompany all approved contract awards as required.
2. Our audit of purchasing revealed the following:
 - a. Contracts awarded for repairs and communication equipment exceeding the bid threshold where no public bids were sought or resolutions approving purchase through a cooperative purchasing program.
 - b. Procedures were not adhered to or documentation made available for audit for purchase made for the acquisition of a fire apparatus and bucket truck made through national cooperative purchasing programs.
 - c. Formal quotes were not obtained for certain purchases that exceeded the quote threshold.
 - d. Political contribution disclosure (PCD) forms were not on file from certain vendor paid in excess of \$17,500.**Recommendation:** Efforts be made to improve procedures over purchasing to ensure all contract awards and purchases are procured and approved in accordance with the requirements of the Local Public Contracts Law and State procurement regulations.

Corrective Action

Prior year

Finance:

1. Old inactive and deficit balance of developer escrow deposits have been worked on and will be reviewed continuously.

Payroll:

1. Retroactive salary payments have been reviewed and **corrected** by our current payroll clerk.

2021 Current Year Findings:

Finance:

1. **Corrected.** Authority has been removed from all financial personnel capabilities of over-expending. **Action date: Implemented**
2. Bank reconciliations of the Net Payroll has been completed and **corrected**.
Action Date: Implemented
3. The annual financial report for the Affordable Housing Trust Fund is in the process of being updated and **will be completed**. **Action Date:**
4. The receipts of the unallocated funds as of December 31, 2021, were automatically posted at the beginning of the following year. **Action Date: Implemented**

Payroll:

1. Subsequent to the audit, employee health benefit contributions and health benefit opt-out payments were confirmed that they were done correctly. Therefore, no action needs to be implemented.
2. All future terminated employee calculations will be reviewed for accuracy by the CFO.
Action Date: Implemented

Purchasing:

1. Purchase orders be issued and encumbered when contract awards are approved along with availability of funds. **Action Date: Implemented**

2. Purchasing Procedures updated to be in compliance with LPCL and distributed to all employees involved in purchasing. The Borough will limit the use of national cooperative purchasing and QPA will be consulted in any instance that the use of national cooperatives is considered to ensure compliance with LPCL. **Action Date: Implemented**

Respectfully submitted,

Consuelo M. Carpenter
Acting CFO