

**TOWNSHIP OF FRANKLIN  
R-158-16**

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

WHEREAS, the 2015 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 August 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, August 9, 2016.

\_\_\_\_\_  
Barbara Freijomil, Clerk

Township of Franklin  
Corrective Action Plan  
2015 Audit Report

Finding No. 2015-001

**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 2015 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. The CFO will update the fixed asset accounting system each time there is a purchase that meets the requirements of the State Administrative Code and the minimal levels established by the Township Committee.

Township of Franklin  
Corrective Action Plan  
2015 Audit Report

Finding No. 2015-002

**Condition:** The general ledger, together with the books of original entry and supporting subsidiary ledgers, were not properly maintained during 2015. In addition, the bank reconciliations were not performed and reconciled to the general ledger balances on a timely basis.

**Context:** The Township reappointed a fee accountant in January 2016 to assist in maintaining and balancing the general ledger, the books of original entry, supporting subsidiary ledgers, and prepare bank reconciliations for the various funds of the Township for 2015 and as of December 31, 2015.

**Effect:** Without a properly maintained general ledger system, the immediate and current identification of assets, liabilities, revenues, expenditures and fund balance cannot be achieved.

**Cause:** Proper internal control policies and procedures over financial transactions are not in place to properly maintain the general ledger, corresponding subsidiary ledgers and to reconcile the monthly bank reconciliations on a timely basis.

**Recommendation:** That the general ledger for each fund be accurately, completely and timely maintained to ensure adequate control over the preparation of financial statements including the related footnotes.

**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 has hired a new Chief Financial Officer to ensure the general ledger, and all subsidiary ledgers are posted in a timely fashion. The bank reconciliations will also be performed in a timely fashion and be reconciled to the general ledger.

Township of Franklin  
Corrective Action Plan  
2015 Audit Report

Finding No. 2015-003

**Condition:** The Township's Current Fund Statement of Expenditures- Regulatory basis reflects over-expenditures in the amount of \$24,386.00 and the Statement of Reserve for Federal and State Grants- Appropriated reflects an over-expenditure in the amount of \$20,284.72.

**Context:** Over-expenditures were created when the Current Fund general ledger and corresponding subsidiary ledgers were balanced in 2016. Also, the Municipal Alliance grant was not appropriated in the 2015 budget.

**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 develop 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 has started to prove the subsidiary ledgers to the general ledger on a consistent basis so that over-expenditures, if any, should be caught immediately and properly corrected. 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  
2015 Audit Report

Finding No. 2015-004

**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 CFO will work with the tax collector to establish the lien redemptions and premiums detail balance so that the tax collector will be able to properly maintain the balances.

Township of Franklin  
Corrective Action Plan  
2015 Audit Report

Finding No. 2015-005

**Condition:** The Township did not properly maintain a detailed accounting of accrued compensated balances.

**Context:** The December 31, 2014 analysis of accrued compensated absences was not properly updated for the 2015 transactions.

**Effect:** Non-compliance with Governmental Accounting Standards Board Statement No. 16 and rules promulgated by the Division of local Government Services.

**Cause:** Internal control policies and procedures are not in place to properly maintain the accrued compensated absences liability.

**Recommendation:** That internal control policies and procedures should be developed to properly maintain the accrued compensated absences in accordance with Governmental Accounting Standards Board Statement No. 16.

**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 balances have been established as of December 31, 2015. In addition, the CFO has put in place a process whereby the accrued absences are updated every two weeks when payroll records are prepared. This process is part of the CASA payroll system that is in use by the Township for payroll preparation.