

**STATE OF NEW JERSEY
COUNTY OF HUNTERDON**

**RESOLUTION
Corrective Action Plan**

BE IT RESOLVED, that the Board of Chosen Freeholders of the County of Hunterdon does hereby adopt a 2014 Corrective Action Plan as follows:

**Hunterdon County, New Jersey
Corrective Action Plan
All Other Comments/Recommendations**

2014-001

Criteria:

A properly functioning financial statement close process provides an adequate internal control system to ensure that appropriate month and year-end internal controls are in place to ensure that financial statements are produced on a timely basis and are materially accurate.

Condition:

During our audit we noted the following items that warrant consideration related to the financial statement close process:

- Account transaction postings in the general ledger were not done on a timely basis.
- The County incurred several over-expenditures pertaining to current fund expenditures that are recorded as deferred charges and charged to the subsequent year's budget.
- There were several outstanding checks carried on various outside departments' bank reconciliations that should have been recorded as deposit in transits on the County's current fund bank reconciliation but were not.
- There are several significant interfund receivable and payable amounts within the various funds of the County which should be liquidated.
- The County should review the grant receivable and grants appropriated reserve balances for accuracy and consider canceling inactive balances.

Context:

Reliance on a system that requires a significant amount of manual entries enhances the risk of material misstatement and the ability to maintain the general ledger on a timely basis.

Cause and Effect:

Existing internal controls were not effective which resulted in the general ledger not being maintained on a timely basis.

Recommendation:

We recommend that the County implement stronger internal control procedures over the monthly and year-end financial statement close process to ensure general ledger postings and balances are accurately stated. Additionally, the County should consider developing a comprehensive accounting procedures manual to be utilized by the Finance Department in order to effectively transition responsibilities to new employees whenever turnover may occur.

Corrective Action:

The County purchased a fully integrated computerized financial system in 2015 with implementation phased in throughout the year. The goal is utilization of full functionality of that system. Manual ledgers were discontinued effective 12/31/2014; computerized sub ledgers and general ledgers are now maintained and reconciled on a monthly basis in an efficient, effective manner. All funds and accounts have been converted into the financial software eliminating the need for multiple, manual systems. County Departments are using the financial software for electronic requisitioning as well as all reporting. Departments receive ongoing training to increase the knowledge base for effective use of the financial information that is now available to them.

Purchasing

Finding #2014-002*

Condition:

Our tests of the purchasing process revealed twenty-five instances in which the County did not properly encumber funds prior to placing an order with a vendor for the procurement of goods or services.

Recommendation:

We suggest that the County properly encumber funds prior to procuring goods and/or services.

Corrective Action:

The County will encumber funds prior to procuring goods and/or services.

Cash Receipts

Finding #2014-003*

Condition:

During our internal control testing over revenue and cash receipts, we identified several instances in which monies collected were not deposited into an official depository within 48 hours, as required by NJSA 40A:5-15. All of the exceptions noted occurred during the first quarter of 2014.

Recommendation:

We suggest that the County strengthen internal procedures relating to the depositing of funds to ensure that all cash receipts are deposited within 48 hours of collection as required by state statute.

Corrective Action:

The County will adjust procedures to deposit all funds within 48 hours.

Payroll and Human Resources

Finding #2014-004

Condition:

Chapter 78 of the Laws of 2011 set forth certain requirements related to pension and health benefit reforms including establishing employee contribution rates towards the expense of employer provided health benefits. It was noted that the contribution amounts of three of the County employees tested were not calculated correctly.

Recommendation:

We suggest that the County enhance existing internal controls over the calculation of employee health benefit contributions to ensure accuracy.

Corrective Action:

The County will enhance existing internal controls over calculation of employee health benefit contributions to ensure accuracy.

Annual Debt Statement

Finding #2014-005

Condition:

The Annual Debt Statement filed in January 2015 was not correct. The County received several cash receipts from the New Jersey Department of Transportation during 2014 that should have reduced the amount of bonds and notes authorized and not issued and thereby reducing the net debt of the County.

Recommendation:

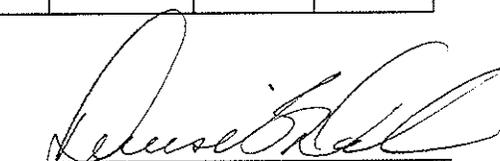
We suggest that the County file a revised Annual Debt Statement with the New Jersey Division of Local Government Services.

Corrective Action:

The County will file a revised Annual Debt Statement with the New Jersey Division of Local Government Services

ROLL CALL	MOVED	SECONDED	AYES	NAYS	ABSTAIN	ABSENT
John W. King, Director			x			
Suzanne Lagay, Deputy Director		x	x			
J. Matthew Holt, Freeholder	x		x			
John E. Lanza, Freeholder			x			
Robert G. Walton, Freeholder			x			

ADOPTED December 15, 2015



Denise B. Doolan, CLERK