R08-103
BOROUGH OF MERCHANTVILLE
2007 AUDIT CORRECTIVE ACTION PLAN

Audit Finding 2007-1:
The Recreation Trust Reserve has a deficit balance at December 31, 2007 in the amount of $9,232.06.

Effect:
The Borough is in violation of New Jersey laws and regulations regarding the budgeting of funds. The laws require that sufficient legally appropriated funds be available prior to execution of a purchase order or contract.

Corrective Action:
Due to the retirement of the Chief Financial Officer, the internal controls that would have normally prevented the over-expenditures were not in place. With the replacement of the Chief Financial Officer, the trust will be regularly reviewed and internal controls implemented to prevent over-expenditures. The Governing Body is also reviewing the possible need to increase fees and rentals.

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Audit Finding 2007-2:
The Borough has not updated its fixed asset ledger for additions and deletions of fixed assets.

Effect:
There is a lack of effective controls over additions and deletions of fixed assets therefore the value of fixed assets is unknown.

Corrective Action:
Due to the change in Borough Clerk and retirement of the Chief Financial Officer, the fixed asset records were not updated in 2007. With the appointment of an Acting Borough Clerk and new Chief Financial Officer, the fixed asset list will be updated and maintained in accordance with NJAC, 5:30-5-6.

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Audit Finding 2007-3:
Procedures were not followed or records were not kept for processing bills for payment as follows:

1. 13 vouchers did not contain all the required signatures approving the purchase or payment.
2. Council was not provided a detailed bill list for payment approval.
3. 2 vouchers totaling $ 771.85 were not available for audit.

Effect:
The internal control procedures over purchasing were not always followed and the Borough is not in compliance with certain New Jersey laws and regulations involving processing bills for payment.

Corrective Action:

With the appointment of the New Chief Financial Officer, the detailed bill list has been presented to the Borough Council for payment approval. Due to improved internal controls, all vouchers will be available for the audit examination and will have the required signatures.

Audit Finding 2007-4:
There are poor internal controls over the Borough's community center rentals and summer recreation program.

1. Fees being charged have not been approved by an ordinance adopted by the governing body, resulting in fees not consistently being applied.

2. A receipt ledger is not maintained by the community center director and receipts provided to renters are not pre-numbered.

3. Contracts for the rental of the community center not pre-numbered.

4. Detailed security deposit records are not kept and reconciled to the general ledger control account.

5. Receipts being turned over to the Borough by the community center director and not being compared to the detailed receipt listing provided by the director.

6. Summer recreation receipts and registration forms are being maintained by the summer recreation director at her home. As a result of a flood at the director's home and all of the records being destroyed, none of the 2007 activity could be audited. The summer recreation revenue for 2007 was $7,748.

Effect:
As a result of the lack of controls over community center receipts, 20 receipts totaling $3,553 were not posted to the general ledger or deposited into the bank account for the year 2007. A more in depth investigation is currently being conducted with covers multiple years.

Corrective Action:
Revised internal controls will be implemented. Changes include, but are not limited to the following:

1. Fees being charged are under advisement and will be approved by an ordinance adopted by the governing body.

2. Reporting requirements will be implemented and maintained by the community center director and receipts provided are signed by the Director and the person receiving the deposit. No cash payments are allowed.

3. Contracts for the rental of the community center will be revised and pre-numbered.