



division of local government services dlgs

Description of FY 2009 Special Municipal Aid Audit Program

The State FY 2009 budget required audits of all municipalities that receiving Special Municipal Aid during FY 2009. After consultation, the Division of Local Government Services and the Office of the State Comptroller agreed that the Division would contract for Statutory Compliance and Internal Control audits to be conducted by outside accounting firms. The reports of the firms would be provided to both agencies for them to take subsequent action if necessary.

State contracting law practices required two rounds of audits. The first audits, using an existing State contract included Asbury Park, Bridgeton, Harrison Town, Jersey City, and Paterson. That effort was completed as of the end of April. The second round, in part using the State contract and in part a separate competitive request for proposals, includes Camden, Newark, and Jersey City; they are to be completed at the end of July. The total cost of all eight audits is \$1,379,041.

The audits being conducted are not audits of the municipality's financial statements. The Division and State Comptroller concluded that the budget language did not contemplate a duplication of the financial audit conducted annually by each municipality's auditor. Instead, the auditors would examine areas that are not covered in depth in the fiscal audit – such as statutory compliance and internal control audit. Modeled after audits conducted several years ago of Abbott school districts, the audit goes beyond the review of financial statements and examines the internal control system and compliance with statutes, as well as a review of various fiscal and accounting practices. The requirements of the audit program are posted along with the audit reports.

At the completion of each audit, the findings and recommendations of the auditors were presented to municipal officials, who were given the opportunity to respond in writing. The final audit reports include a summary of findings, detailed explanations of the work done, specific findings, risk assessments, recommendations, and the response of the municipality to the comments, which includes how they plan to correct any deficiencies.

As the first round of audits neared completion, exit conferences were held and drafts provided to the Division. Meetings were held with each municipality to review the audits and findings, with the municipality required to review how they plan to comply with the recommendations.

Copies of the final reports have been provided to the State Comptroller who will also review them and take any actions as they deem appropriate.

Based on the findings and continued funding in the FY 2010 budget, it is expected that another round of audits will be performed, this time focusing on specific areas as warranted in each municipality.