

OFFICE OF THE STATE COMPTROLLER

GUIDANCE TO GOVERNMENT UNITS

The Audit Division of the Office of the State Comptroller (OSC) conducts performance audits of all levels of New Jersey government. The best practices set forth below derive from recommendations included in some of the OSC's more recent reports. They are not meant to be all-encompassing, but rather are offered here to shed light on some basic yet crucial fiscal management practices. Public entities should look to incorporate these best practices where appropriate.

Cash Management

- Develop and adopt a reliable process to ensure a balanced set of books: maintain subsidiary ledgers; reconcile subsidiary ledgers to the general ledger; perform monthly and year-end closing procedures.
- Review activity in all bank accounts and close accounts that are not necessary.
- Perform automated bank reconciliations and ensure they are signed and dated by the preparer and reviewer.
- Cancel stale-dated checks and escheat to the state as appropriate. Checks that have not been cashed within one year should be treated as abandoned property and transferred to the state in accordance with the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1.
- Prepare ongoing cash projections and appropriately invest any excess cash.
- Bond proceeds that are no longer needed by local units for their original purpose should either be transferred to another project or utilized to retire outstanding debt, in accordance with N.J.S.A. 40A:2-39.
- Pay invoices on time to avoid potentially applicable late fees. See, e.g., DLGS Local Finance Notice 2010-3, section E. Document all such payments.
- Foreclose on eligible properties in a timely manner.

REMINDER

In accordance with N.J.S.A. 52:15C-7, government units are required to provide annually to the Office of the State Comptroller a copy of their most recent financial audit, including the Management Letter, as well as the Single Audit (if applicable).

These should be emailed to audits@osc.state.nj.us.

Information Technology

- Develop and maintain an accurate inventory system for IT hardware and software. Conduct physical inventories regularly.

- Perform periodic user access reviews for IT systems in order to ensure that access levels are consistent with employees' current employment status.

Grants Management and Performance Analysis

- Make sure relevant fiscal documentation is properly maintained and thoroughly reviewed.
- Establish specific guidelines and procedures to govern the fiscal review and approval process of grant disbursements so that only allowable expenditures are funded.
- Determine whether funded programs are producing the desired results that justify expenditures.



Personnel

- Create clearly defined job descriptions for employees.
- Evaluate the performance of each employee at least annually.
- Review the responsibilities of all employees to determine if the positions reflect the realities of operational needs.
- Establish a mechanism to track sick leave and to identify potential abuse.
- Only permit sick days to be taken in the event of an illness and not for conducting personal business.

Vehicle Usage

- Periodically perform a physical inventory of vehicle fleet.
- Develop and implement procedures to ensure that vehicle use logs are accurately maintained, and monitor adherence to those procedures. Follow IRS regulations concerning valuation of personal use of government-owned vehicles.
 - Develop procedures to identify employees using government-owned vehicles so that drivers can be tracked in the event of parking violations or car accidents.

External Audits

- At a minimum of every five years, use a competitive selection process to select auditors. Specifically, auditors should be selected using a process that includes the preparation of a request for proposals, public advertisement of that request, upfront establishment of selection criteria, establishment of a methodology for evaluating and ranking proposals, and public reporting on the results.
- Switch to a new audit firm at least every 10 years.
- Do not hire any audit firm that has made political contributions in the preceding year.
- Require the retained audit firm to adhere to independence standards set forth in Generally Accepted Government Auditing Standards.



The Procurement Division of the Office of the State Comptroller reviews local government contracts for compliance with various state laws and regulations. For reference, we have compiled below some best practices based on the most frequently recurring contracting errors. The information below is intended to be consulted as guidance and is not intended to be construed as legal advice. Procurement officials should rely on the advice of legal counsel for an interpretation of the relevant statutory and regulatory authority.

Ensure all contracts not subject to formal sealed bid requirements include scope-of-services or scope-of-work provisions detailing vendor obligations under the contract.

- Scope-of-services provisions should be specific, detailing the type of work required, the dates or frequency of services required and the result required.
- Distinguish within the scope-of-services provision the services payable by retainer from services to be billed at hourly rates.
- Incorporate the scope-of-services provisions of the solicitation by referring to the provisions of the solicitation in the contract ultimately executed.

Document the procedures used for awarding contracts that are not subject to formal sealed bid requirements.

- Document the effort to obtain quotes and any quotes received for Extraordinary Unspecifiable Services contracts. Document how the contract

meets legal requirements. Retain the award resolution and the advertisement publishing notice of the award. See N.J.S.A. 40A:11-5, 6.1(b).

REMINDER

In accordance with N.J.S.A. 52:15C-10, contracting units must notify the Office of the State Comptroller as early as practicable, but no later than 30 days before advertisement of any negotiation or solicitation of a contract that may exceed \$10 million. Contracting units also must notify OSC within 20 days after the award of any contract for an amount exceeding \$2 million. Notice can be sent to contracts@osc.state.nj.us. For more information, visit www.nj.gov/comptroller.

- Document the evaluation of proposals or qualifications in “fair and open” procurements under the state’s Pay-to-Play law. Retain the advertisement and the resolution authorizing the award. See N.J.S.A. 19:44A-20.7.

- Document the evaluation of proposals in accord with the applicable criteria when using competitive contracting under N.J.S.A. 40A:11-4.4. Retain the required resolution authorizing the use of competitive contracting, the advertisement, the required reports recommending the award, and the resolution of the governing body awarding the contract.

Review the specifications in the solicitation.

- Use proprietary specifications only as authorized by law. Retain any resolution authorizing the use of such proprietary specifications.
- Ensure that specifications do not include any unauthorized standards that limit bidders, such as residency requirements or mandatory pre-bid meetings.
- Avoid ambiguous language in explaining how “brand name or equivalent” items will be considered by the contracting unit. The contracting unit may not require any pre-approval of an equivalent product before the submission of bids. See N.J.A.C. 5:34-9.2(d).

Ensure that language in the solicitation correctly describes how the contract will be awarded.

- Explain how the low bidder will be determined if multiple projects or multiple alternates are included in one

solicitation. See P.L. 2009, c. 292 (effective May 1, 2010).

Require all invoices submitted for service contracts to adequately describe the services performed.

- Require invoices for retainer services to describe the services provided.
- Compare the detailed services performed as per the invoice to the statement of work in the contract before authorizing payment.

Examine change orders.

- Change orders should not be used to substantially change the character of the contracted work, which would instead require a new bidding process. See N.J.A.C. 5:30-11.3(a)(7); N.J.A.C. 6A:23A-21.1(d)(2).

