

LFN 2024-10

July 10, 2024



Philip D. Murphy  
Governor

Tahesha L. Way  
Lieutenant Governor

Jacquelyn A. Suárez  
Commissioner  
& Director

Contact

Website

[www.nj.gov/dca/dlgs](http://www.nj.gov/dca/dlgs)

E-mail

[dlgs@dca.nj.gov](mailto:dlgs@dca.nj.gov)

Phone

609.292.6613

Mail and Delivery

101 South Broad St.

PO Box 803

Trenton, New Jersey

08625-0803

**Distribution**

Chief Financial Officers  
Municipal  
Managers/Administrators  
County  
Administrators/Mangers  
Municipal Clerks  
Clerks, County Boards of  
Commissioners  
Joint Meeting Officials  
Auditors (RMAs)

## Municipal, County & Joint Meeting Audits: Local Finance Board Regulatory Update

As part of its readoption of N.J.A.C. 5:30 in August 2023, the Local Finance Board made numerous updates to [Subchapter 6](#) which are the regulations pertaining to municipal, county, and joint meeting/regional service agency audits. Many updates to Subchapter 6 codify existing audit procedures, such as those for corrective action plans and synopses of audits, while others involve substantive changes including the confidential reporting of fraud or illegal activities by an auditor. Please note that the regulations in Subchapter 6 do not apply to entities subject to the Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.), i.e. local authorities and fire districts.

This Notice, which supersedes Local Finance Notice CFO-97-16, provides updated guidance on audit procedures for municipalities, counties, and joint meetings/regional service agencies (hereinafter collectively referenced as “local units”). Joint meetings established after January 21, 2020 are now called regional service agencies pursuant to [L. 2019, c.433](#); however, for ease of reference this Notice uses the term “joint meeting” for both entities.

### **N.J.A.C. 5:30-6.1 Uniform Accounting System for Local Units**

N.J.A.C. 5:30-6.1 establishes the regulatory basis of accounting for municipalities and counties, which the recent Local Finance Board amendments extended to joint meetings whose constituent members are made up of municipalities and/or counties. Generally Accepted Accounting Principles (GAAP) are thus not applicable to joint meetings, and the annual audit of a joint meeting must be conducted by an individual licensed as a Registered Municipal Accountant (RMA).

As with municipal and county audits, the deadline for completion of a joint meeting audit is within six months after the fiscal year close of the joint meeting and the certified duplicate copy of a joint meeting audit must be filed with the Division of Local Government Services (Division), over the signature of the joint meeting auditor, within five days of the original report of audit being filed with the joint meeting secretary. [See](#) N.J.S.A. 40A:5-4 and 5-6; N.J.A.C. 5:30-6.7.

All audit reports shall be submitted through the Division's Financial Automated Submission and Tracking (FAST) system.

Subsection (c) has been amended to state that annual audits may list the most recent available Governmental Accounting Standards Board (GASB) 68 and 75 information concerning pension and post-retirement benefit liabilities, rather than wait for the most current version as entities subject to GAAP accounting must do (i.e. local authorities, fire districts, school districts). References to the most recent New Jersey Department of the Treasury Office of Management and Budget (OMB) Circular and the Federal OMB regulation codifying the former Circular A-133 have also been incorporated into subsection (c). New subsection (d) codifies the existing requirement that a solid waste collection district audit be included with the annual municipal audit.

With respect to single audits, local units are reminded that any management letters issued by a state or federal agency, along with the audit information form and audit reporting package submitted to the [Federal Audit Clearinghouse](#), must be submitted to the Division in FAST along with the single audit report. For state awards, including pass-through federal dollars received from state agencies, the local unit is responsible for submitting a copy of its Federal Audit Clearinghouse audit package to each State agency that provided the award.

#### **N.J.A.C. 5:30-6.4 Synopsis of Audit**

New rule N.J.A.C. 5:30-6.4 codifies content and publication requirements for the synopsis of a municipal or county audit and extends such requirements to the synopsis of a joint meeting audit.

Within 30 days of receipt of the annual audit, the clerk of the county board of commissioners, the municipal clerk, or the joint meeting secretary, as applicable, shall have a synopsis of audit, including synopses of any single audits, published at least once in the official newspaper of the local unit, if there is one, or if there is none, in a newspaper published in the local unit. If there is no newspaper published within the local unit, it shall be published in a newspaper having a general circulation in the local unit.

The synopsis of audit shall include the following:

- A comparative balance sheet;
- A comparative statement of revenue, expenses/expenditures, and changes in surplus;
- A summary of all comments, findings, and recommendations. If the audit contains one or more findings repeated from the prior year's annual audit, the summary shall specifically identify those findings as repeat findings. Findings, comments, and recommendations arising out of a single audit shall be noted separately in the synopsis of audit.

If the annual audit contains one or more findings (including findings arising out of a single audit), a statement that a corrective action plan outlining actions to be taken to correct the finding or findings will be placed on file for public inspection with the municipal clerk, clerk of the county board of commissioners, or the joint meeting secretary, as applicable. The statement shall include the date on which the corrective action plan will be on file with the clerk or joint meeting

secretary, which date shall be no later than 60 days from the date on which the registered municipal accountant filed the completed annual audit with the local unit.

If the municipal clerk, clerk of the county board of commissioners or the joint meeting secretary, as applicable, fails to have publication of the audit synopsis made within 30 days of receipt of the annual audit, the clerk or joint meeting secretary shall be subject to a fine of \$10.00 payable to the local unit for each day after the expiration of the 30 days that such publication fails to appear.

#### **N.J.A.C. 5:30-6.5 Governing Body Review of Annual Audit**

The annual audit shall be filed by the local unit auditor with the municipal clerk, clerk of the board of county commissioners, or the joint meeting secretary, as applicable, with a copy delivered to each member of the governing body. The governing body of a municipality, county, or joint meeting must, by resolution, certify that each governing body member has personally reviewed, at minimum, all audit findings, comments, and recommendations, including those for all single audits. The certification must be evidenced by the execution of a group affidavit form that shall be signed by each member of the governing body. The [resolution of certification and group affidavit](#) shall be adopted and executed by the governing body not later than 45 days after the governing body receives the annual audit.

#### **N.J.A.C. 5:30-6.6 Corrective Action Plan & Schedule of Prior Audit Findings**

N.J.A.C. 5:30-6.6 codifies the required content and procedures for a municipal and county corrective action plan and summary schedule of prior audit findings and applies these requirements to joint meetings. If the local unit annual audit contains one or more findings, the local unit shall prepare a corrective action plan to address each finding. A corrective action plan shall be adopted by the governing body and placed on file with the municipal clerk, clerk of the board of county commissioners, or the joint meeting secretary, as applicable, no later than 60 days from the date on which the auditor filed the audit with the local unit.

For each audit finding, the local unit corrective action plan shall include:

- The reference number assigned by the registered municipal accountant;
- The corrective action planned and the anticipated completion date;
- The contact person(s) responsible for the corrective action; and
- For each audit finding with which the governing body disagrees, or believes corrective action is not required, an explanation with specific reasons.

The local unit must also prepare a summary schedule of prior audit findings, if any, alongside the corrective action plan. The summary schedule must include the reference numbers assigned to each finding by the auditor, along with the fiscal year in which the finding initially occurred. If a local unit has prior year audit findings, a summary schedule of prior audit findings shall be adopted by the governing body and placed on file with the municipal clerk, clerk of the board of county commissioners, or the joint meeting secretary, as applicable, no later than 60 days from the date on which the auditor filed the annual audit with the local unit.

Be particularly mindful of the following when preparing a summary schedule of prior audit findings:

- When an audit finding in the prior year annual audit has been fully corrected and is not repeated in the current year annual audit, the summary schedule need only list the audit findings and state that corrective action was taken.
- In circumstances when audit findings either remain uncorrected or were only partially corrected, the summary schedule must describe the reason or reasons for the findings' recurrence and planned corrective action, and any partial corrective action already taken.
- When corrective action taken is significantly different from corrective action previously reported in a corrective action plan; or in the management decision of a State agency, federal agency or a pass-through entity, the summary schedule must provide an explanation with specific reasons.
- If the local unit believes one or more audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule.

Within five days of being filed with the clerk or the joint meeting secretary, the corrective action plan and summary schedule of prior audit findings shall be filed with the Division through the FAST system. **Each corrective action cited in a corrective action plan shall be initiated within six months after the auditor files the annual audit with the local unit.**

#### Single Audits – Corrective Action & Schedule of Prior Audit Findings

When a single audit is required pursuant to 2 CFR Part 200 Subpart F or New Jersey Office of Management and Budget Circular 15-08 that results in one or more findings, the local unit shall prepare a separate corrective action plan and summary schedule of prior audit findings relative to the State or Federal awards. When corrective action taken is significantly different from corrective action previously reported in the management decision of a State agency, Federal agency, or a pass-through entity, the summary schedule must provide an explanation with specific reasons.

In the context of a single audit, a valid reason for considering an audit finding as not warranting further action is that **all the following** have occurred:

- Two years have passed since the audit report in which the state award or federal award finding occurred was submitted to the [Federal Audit Clearinghouse](#) or the Division of Local Government Services;
- The state agency, federal agency, or pass-through entity is not currently following up with the local unit on the audit finding; and
- A management decision was not issued.

#### Penalties for Non-Compliance

Please note that failure to comply with the requirements of N.J.A.C. 5:30-6.5 (resolution and affidavit) and 6.6 (corrective action plan and summary of prior audit findings) may subject

members of the governing body to the penalty provisions of N.J.S.A. 52:27BB-52, in addition to such other enforcement provisions as may be authorized under law.

**52:27BB-52 Enforcement of orders; penalties**

A local officer or member of a local governing body who, after the date fixed for compliance, fails or refuses to obey an order of the director, under the provisions of this article, shall be guilty of a misdemeanor and, upon conviction, may be fined not more than one thousand dollars (\$1,000.00) or imprisoned for not more than one year, or both, and in addition shall forfeit his office.

**Fraud and Illegal Acts: Auditor Notification to Division**

N.J.A.C. 5:30-6.8 codifies the procedure for an auditor of a municipal, county, or joint meeting to notify the Director and the local unit when fraud or illegal acts are discovered, along with the content that the confidential report must include. The content of the new rule was adapted from N.J.A.C. 5:31-7.7, which applies to authorities subject to the Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.). The [standard form of the confidential report](#) is established as an appendix to Subchapter 6 of N.J.A.C. 5:30 and available on the Division's Municipal and County Budgets webpage. The special confidential report contains three sections:

Section One: This section is a preliminary report and must be filed with the Division within 48 hours after the auditor's discovery of any irregularity or shortage regardless of whether the facts have been definitively established. A copy of the preliminary report shall also be immediately filed with the governing body.

Section Two: This section shall be filed immediately after the auditor has completed the work or after the auditor has completed the preliminary work to a point where the auditor can make a fair determination as to the amount involved. The auditor shall file supplemental or preliminary reports from time to time pending the filing of Section Two in completed form.

Section Three: This section shall be filed upon final disposition of the case.

The Division and the local unit governing body shall receive all three sections of the special confidential report. Upon presentation of the preliminary report of the auditor, the governing body shall make an immediate report to the local unit's bonding company. It is the duty of the governing body to report the discovery of any shortage or irregularity involving public moneys to the county prosecutor serving the county in which the local unit is located. The Division shall render a report to the responsible deputy attorney general. In all instances, the auditor shall follow up on these matters and keep the Division informed as to progress and procedure.

---

Approved: Jacquelyn A. Suárez, Commissioner & Director

<b>Document</b>	<b>Internet Address</b>
N.J.A.C. 5:30-6	<a href="https://www.nj.gov/dca/dlgs/resources/rules_docs/NJAC%205_30-6.pdf">https://www.nj.gov/dca/dlgs/resources/rules_docs/NJAC%205_30-6.pdf</a>
L.2019, c.433	<a href="https://pub.njleg.state.nj.us/Bills/2018/PL19/433_.PDF">https://pub.njleg.state.nj.us/Bills/2018/PL19/433_.PDF</a>
Federal Audit Clearinghouse	<a href="https://www.fac.gov/">https://www.fac.gov/</a>
Resolution & Group Affidavit	<a href="https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/audit_affidavit_res_11-2023.doc">https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/audit_affidavit_res_11-2023.doc</a>
Auditor Confidential Report: N.J.A.C. 5:30-6.8	<a href="https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/Appendix_NJAC_5_30-6_as_of_08072023.docx">https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/Appendix NJAC 5_30-6 as of 08072023.docx</a>