

[N.J.A.C. 5:31-7.1](#)

This file includes all Regulations adopted and published through the New Jersey Register, Vol. 56 No. 13, July 1, 2024

NJ - New Jersey Administrative Code > TITLE 5. COMMUNITY AFFAIRS > CHAPTER 31. LOCAL AUTHORITIES > SUBCHAPTER 7. ACCOUNTING AND AUDITING

§ 5:31-7.1 Accounting and financial reporting systems

(a) The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record, and report an entity's transactions and to maintain accountability for the related assets and liabilities.

(b) An effective accounting system shall include a double-entry accounting for all transactions resulting in a general ledger, which shall be required for all authorities and special districts.

(c) Any accounting system adopted pursuant to (a) and (b) above must make it possible to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the reporting entity, in conformity with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116, incorporated herein by reference, as may be amended from time to time, and demonstrate compliance with finance-related legal and contractual provisions, including applicable security and financing agreements.

(d) GAAP as it applies to proprietary funds of state and local governments, specifically as it applies to enterprise funds shall be used to account for an authority's ongoing activities, similar to those found in the private sector, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and/or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(e) The financial statements of authorities shall be prepared in accordance with GAAP applicable to enterprise funds. Accordingly, revenues and expenses shall be recognized on the accrual basis. Revenues shall be recognized in the accounting period in which they are earned and become measurable; expenses shall be recognized in the period incurred, if measurable.

(f) The financial statements of special districts shall be prepared in accordance with GAAP applicable to governmental funds of state and local governments. Accordingly, revenues and expenditures shall be recognized on the modified accrual basis. Revenues shall be recognized in the accounting period in which they become available and measurable. Expenditures shall be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which shall be recognized when due.

[N.J.A.C. 5:31-7.2](#)

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§ 5:31-7.2 Establishment of an internal control structure

(a) The governing body of each authority and special district is responsible for establishing and maintaining an internal control structure. An entity's internal control structure shall consist of policies and procedures established to provide reasonable assurance that specific entity objectives and proper conduct of the entity's business with full accountability for the resources made available, shall be achieved. In fulfilling this responsibility, estimates and judgments by the governing body are required to assess the expected benefits and related costs of internal control structure policies and procedures.

(b) The objectives of an internal control structure should provide the governing body with reasonable, but not necessarily absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the respective governing body's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

N.J.A.C. 5:31-7.3

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§ 5:31-7.3 Determining the financial reporting entity

The definition of a financial reporting entity shall be based on the concept of financial accountability. A primary objective of authorities' and special districts' financial reporting should be to provide users of financial statements with a basis for assessing the accountability of their respective elected/appointed officials, responsible for the operations of their specially created organizations. The financial statements of the reporting entity shall provide for distinguishing between the following: primary government, component unit, joint venture, jointly governed organization, or another stand-alone government, by communicating such information to the users thereof. Such selection of the financial reporting entity shall be made by the governing body pursuant to GAAP criteria and be presented in the entity's financial statements pursuant to GAAP reporting standards.

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[N.J.A.C. 5:31-7.4](#)

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§ 5:31-7.4 Interim financial reporting

For both authorities and special districts, interim financial reports should be comprised principally of statements that reflect current financial position at the end of a month or quarter and compare actual financial results with budgetary estimates and limitations. Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared primarily for purposes of governing body control of financial operations, facilitate regulatory budgetary oversight, and where necessary for external reporting purposes. All such interim reports need not be prepared on a GAAP basis, unless internally required, but all such reports may be subject to audit pursuant to [N.J.S.A. 40A:5A-15](#).

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[N.J.A.C. 5:31-7.5](#)

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§ 5:31-7.5 Compliance with legal provisions

Generally both authorities and special districts are required to follow the applicable provisions of statute and at times such legal provisions may conflict with GAAP. Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Instead, the accounting system can be maintained on a legal compliance basis, but should include sufficient additional information to permit GAAP based reporting. Specifically, authorities and special districts both have a prescribed budgetary basis to demonstrate legal compliance; notwithstanding, sufficient supplemental records shall be kept to permit presentation of financial statements in conformity with GAAP.

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[N.J.A.C. 5:31-7.6](#)

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§ 5:31-7.6 Auditing procedures and scope

(a) Each authority and each special district shall conduct an annual audit for its respective fiscal year in accordance with: generally accepted auditing standards (GAAS), as promulgated by the American Institute of Certified Public Accountants (AICPA), 1211 Avenue of the Americas, New York, New York 10036, incorporated herein by reference, as amended and supplemented; Government Auditing Standards (often called the Yellow Book, General Accepted Government Auditing Standards, or GAGAS) issued by the Comptroller General of the United States and the United States General Accounting Office (GAO) at the United States General Accounting Office, Washington, D.C. 20548, and those audit standards having been adopted as rules by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that an independent auditor plan and perform an audit to obtain reasonable assurance that the financial statements of the reporting entity are free of material misstatement. These basic financial statements shall include, but not be limited to: a balance sheet and the related statements of revenues, expenses/expenditures and changes in retained earnings/fund balance and cash flows for the year then ended. Notwithstanding that such statements presented are the responsibility of the respective governing bodies involved, the independent auditor engaged to perform the audit, shall express an opinion on the financial statements taken as a whole.

(b) Any audit performed pursuant to (a) above must include examining on a test basis and evidence supporting the amounts and disclosures in the financial statements. Any such audit must include an assessment of the accounting principles used and significant estimates made by the governing body or its administration, and must further include such additional procedures as shall be required by any security/financing agreement, as well as an evaluation of the overall financial statement presentation. Any supplementary information presented shall be subjected to the auditing procedures applied in the audit of the financial statements and an opinion rendered in relation to the financial statements taken as a whole.

(c) Accompanying the Independent Auditor's Report on Financial Statements and on Supplementary Information and Schedules, shall be a Report on the Internal Control Structure and a Compliance Report. Where applicable with respect to Single Audit filings, a Report on Supplementary Information Schedules of Federal and State Financial Assistance must be prepared, including any other general or specific reports as may be required by Government Auditing Standards and Federal and/or State requirements and circulars.

(d) All authority and special district audits shall be completed and the audit reports thereon shall be filed with the governing bodies within four months after the close of the authority's fiscal year or within such shorter period specified in the authority's security or financing agreement, or in the statute authorizing the creation of the authority or special district. After expiration of the due date, the Division shall have the prerogative to perform the audit itself or to engage an independent auditor to conduct such audit. The costs of any such work, after approval by the Director, shall be billed to and paid for by the respective authority/special district.

(e) Within five days after the audit report is filed with the authority/ special district, the auditor shall file a copy with the Director and with the governing body of each local unit having created same.

(f) The auditor shall complete the prescribed Division audit questionnaires as prescribed in Appendix A and Appendix B, incorporated herein by reference, to be made part of the working-papers. However, the

§ 5:31-7.6 Auditing procedures and scope

questionnaire will be subject to review by the Director. The respective questionnaire is not to be filed with the authority or special district being audited.

(g) The synopsis of an authority/special district annual audit is required to be published by statute and shall forthwith be filed with the Division, within 10 days after publication, and shall include the following:

1. A comparative balance sheet;
2. A comparative statement of revenue, expenses/expenditures and changes in retained earnings/fund balance;
3. A summary of recommendations; and
4. Single Audit findings.

(h) The governing body of each authority/special district, within 45 days of receipt of the annual audit shall certify by resolution that each member thereof has personally reviewed the annual audit report. Specifically, the sections of the audit report entitled Comments and Recommendations and Schedule of Findings and Questioned Costs shall be evidenced by group affidavit in the form prescribed by the Local Finance Board in Appendix C, incorporated herein by reference, and shall be filed forthwith to the Division.

(i) A corrective action plan, in the form of a resolution, to be adopted by the members of the governing body with respect to comments and recommendations made in the audit, shall be filed forthwith with the Division within 45 days of receipt of the annual audit.

History

HISTORY:

Amended by R.2021 d.006, effective January 4, 2021.

See: [52 N.J.R. 1489\(a\)](#), [53 N.J.R. 53\(a\)](#).

In (a), inserted the second occurrence of "each", substituted "its" for "their", updated the address for AICPA, and substituted "as amended and supplemented" for "as may be amended from time to time".

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[N.J.A.C. 5:31-7.7](#)

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§ 5:31-7.7 Discovery of fraud or illegal acts

(a) The Division of Local Government Services has the prerogative to take full charge of the auditing of any authority or special district where there is any shortage, embezzlement or fraud. Where there is detection of an illegal act, shortage or irregularity, the Division shall be notified at once by means of a special confidential report. Notwithstanding, guidance on the independent auditor's responsibility for the detection of illegal acts and irregularities in an audit of financial statements is provided by generally accepted auditing standards.

(b) Confidential report blanks shall be submitted in triplicate; one copy for filing in this Division, one copy for filing with the authority/ special district and the third copy for the auditor's files. Blanks can be procured upon request and may be secured either in advance or immediately upon the discovery of any condition requiring a special report. The special confidential report (see Appendix D, incorporated herein by reference) shall be prepared as follows:

1. Section One is a preliminary report and must be filed with the Division within forty-eight hours after the discovery of any irregularity or shortage regardless of whether or not the facts have been definitely established;
2. Section Two 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 supplements or preliminary reports from time to time pending the filing of section two in completed form.
3. Section Three shall be filed upon final disposition of the case.

(c) In connection with every shortage there shall be an immediate report to the Division of Local Government Services, Bureau of Authority Regulation, and the governing body. The governing body shall make immediate report to the bonding company upon presentation of the preliminary report of the auditor. 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 entity is located. The Director is not a prosecuting officer, but shall render a report to the responsible Deputy Attorney General. The independent auditor shall follow up these matters in each and every instance and keep the Division informed as to progress and procedure.

[N.J.A.C. 5:31-7.8](#)

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§ 5:31-7.8 Audit reports and financial reporting practices for authorities and special districts

(a) The pronouncements of the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) shall control with respect to the application of GAAP for authorities and special districts, except that Local Finance Board rules as set forth in the New Jersey Administrative Code, including financial oversight and Division regulatory responsibilities, including review and approval of annual budgets pursuant to statute, shall apply and supersede where applicable.

(b) Financial reporting under GAAP requires general purpose financial statements (GPFS) and/or component unit financial statements (CUFS), as minimum acceptable presentation for governmental financial reporting purposes. The primary reporting entity focus of separately issued GPFS/CUFS should be on financial information aggregated by fund type, account group, and discretely presented component units. Such aggregated financial information presented shall constitute fair presentation in conformity with GAAP. If the governmental organization other than a primary government serves as a nucleus for its own reporting entity when it issues separate financial statements, then the reporting entity's financial statements should present the fund types and account groups as if it were a primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

(c) The following statements shall be included in the GPFS/CUFS, as applicable, for authorities/special districts as necessary for separately issued financial statements to be presented fairly in conformity with GAAP:

1. Combined Balance Sheet--All Fund Types, Account Groups, and Discretely Presented Component Units;
2. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--All Governmental Fund Types and Discretely Presented Component Units;
3. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General and Special Revenue Fund Types (and similar governmental fund types of the primary government for which annual budgets have been legally adopted);
4. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)--All Proprietary Fund Types and Discretely Presented Component Units;
5. Combined Statement of Cash Flows--All Proprietary Fund Types and Discretely Presented Component Units;
6. Notes to the financial statements; and
7. Required supplementary information.

(d) Additional or alternative financial reporting presentations or formats, other than those stated in (c) above, may be necessary pursuant to State or Federal requirements or supplementary information on a

§ 5:31-7.8 Audit reports and financial reporting practices for authorities and special districts

specific GPFS/CUFS, as requested by the Director of the Division of Local Government Services and/or the Local Finance Board.

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§ 5:31-7.9 Audit of Federal and State grants

(a) The auditor's reporting responsibility in audits of Federal and State financial assistance is primarily driven by four levels of auditing standards and requirements that shall apply:

1. Generally accepted auditing standards issued by the American Institute of Certified Public Accounts;
2. Government Auditing Standards issued by the United States General Accounting Office;
3. Single Audit Act and applicable Federal OMB Circulars;
4. Single Audit policy for recipients of federal grants, state grants and state aid and applicable State of New Jersey OMB Circulars.

(b) The guidance in (a) above represents a level of auditor responsibility for reporting on an entity's financial statements, internal control structure and compliance with applicable laws and regulations, when followed.

N.J.A.C. 5:31-7, Appx. A

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AUDIT QUESTIONNAIRE FOR AUTHORITY AUDITS

EACH QUESTION MUST BE ANSWERED.

PLEASE SELECT YES OR NO.

IF ANY ARE NOT APPLICABLE, STATE N/A AS YOUR ANSWER.

AUTHORITY	_____
YEAR UNDER AUDIT	_____
AUDITOR SIGNATURE	_____
AUDITOR FIRM	_____
AUDITOR ADDRESS	_____

AUDITOR PHONE/FAX #	_____
AUDITOR EMAIL	_____

"NO" ANSWERS MUST BE EXPLAINED IN DETAIL. ATTACH ADDITIONAL SHEETS IF MORE SPACE IS REQUIRED. ANSWERS TO QUESTIONS WHICH INDICATE CORRECTIONS OR IMPROVEMENTS ARE REQUIRED MUST BE COVERED BY COMMENT AND RECOMMENDATION IN THE AUDIT REPORT. IF NOT COVERED, EXPLAIN IN DETAIL.

AUTHORITY _____

General

- | | | | |
|----|--|-----|----|
| 1. | Is a general ledger maintained by the authority? | YES | NO |
| 2. | Are key employees bonded in amounts required by organization policy? | YES | NO |
| 3. | Is insurance coverage in force for at least the following? | | |
| | Loss or damage to assets from fire and other hazards. | YES | NO |
| | Public liability and property damage? | YES | NO |

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	Robbery, burglary, theft and disappearance?	YES	NO
	Worker's compensation?	YES	NO
4.	Are loans to employees prohibited?	YES	NO
5.	Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records?	YES	NO
6.	Has a corrective action plan been filed for the previous year audit report	YES	NO

Cash and Investments

1.	Has the authority adopted a cash management plan?	YES	NO
2.	Are all depositories and accounts authorized by resolution of the governing body?	YES	NO
3.	Are receipts deposited within 48 hours pursuant to N.J.A.C. 5:31-3.1(b)?	YES	NO
4.	Are the duties of personnel who receive and deposit cash separate from investments cash disbursing, and bookkeeping?	YES	NO
5.	Are cash receipts adequately safeguarded before deposit?	YES	NO
6.	Is responsibility for the petty cash fund vested in only one person?	YES	NO
7.	Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers?	YES	NO
8.	Are check signers and individuals initiating or authorizing transactions utilizing standard electronic funds transfer technologies designated by resolution?	YES	NO
9.	If a mechanical check signer is used, are there procedures to control and record the check numbers and amounts of checks signed?	YES	NO
10.	Is there adequate security over blank checks?	YES	NO
11.	Are the duties of personnel who disburse cash separate from the function of approving vouchers?	YES	NO
12.	Are bank statements reconciled monthly?	YES	NO
	A. Is the sequence of check numbers accounted for?	YES	NO
	B. Are check endorsements scrutinized?	YES	NO

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13.	Are outstanding checks older than 6 months investigated?	YES	NO
14.	Are investments under the control of a responsible official who does not receive or disburse cash?	YES	NO
15.	Are all investments issued in the name of the authority?	YES	NO
16.	Are all investment transactions approved by the governing body?	YES	NO
17.	Are all investments permitted by law or bond agreement?	YES	NO
18.	Are perpetual records of investments reflecting all pertinent information maintained?	YES	NO
19.	Is interest income verified?	YES	NO
	A. Is it promptly recorded in the accounting records?	YES	NO
20.	Are investments examined periodically and verified with the detail record and control account?	YES	NO
21.	Are investments protected against loss or theft?	YES	NO
22.	Are signature stamps, mechanical signatures, facsimile signatures, and electronic copies of signatures under adequate control and protected against unauthorized use?	YES	NO

Accounts Receivable and Income

1.	Are billings to users independently verified?	YES	NO
2.	Is there segregation of duties between accounts receivable, record maintenance, billing, and receipt of cash?	YES	NO
3.	Are total accounts receivable balances verified with the accounts receivable control periodically?	YES	NO
4.	Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?	YES	NO
5.	Are accounts receivable records promptly posted?	YES	NO
	A. Billings to users?	YES	NO
	B. Cash receipts?	YES	NO

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|----|--|-----|----|
| 6. | Are adjustments to accounts receivable approved by a responsible official? | YES | NO |
|----|--|-----|----|

Inventory

- | | | | |
|----|---|-----|----|
| 1. | Are inventories of material and supplies under physical control of a designated employee who is not responsible for purchasing? | YES | NO |
| 2. | Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal? | YES | NO |
| 3. | Do quantities appear reasonable for normal consumption? | YES | NO |
| 4. | Are physical inventories taken annually and supervised by non-storeroom personnel? | YES | NO |
| 5. | Are responsible officials advised of significant inventory discrepancies? | YES | NO |

Accounts Payable and Purchasing

- | | | | |
|----|--|-----|----|
| 1. | Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented | | |
| | A. Competitive bidding and contract award? | YES | NO |
| | B. Informal quotations on purchases not requiring public bidding (40A:11-6.1)? | YES | NO |
| | C. Certificate of availability of funds prior to award of contracts (Reg. 5:30-5.4)? | YES | NO |
| | D. Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)? | YES | NO |
| | E. Emergency purchases and contracts (40A:11-6)? | YES | NO |
| 2. | Are prenumbered or system generated purchase orders issued for all purchases, except petty cash purchases? | YES | NO |
| 3. | Is there a record of all purchase orders issued? | YES | NO |
| 4. | Are quantities and description of materials and supplies received: | | |
| | A. Compared to purchase orders? | YES | NO |
| | B. Compared to vendors' invoices? | YES | NO |

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	C. Verified with packing or delivery slips?	YES	NO
5.	Are open purchase orders reviewed periodically?	YES	NO
6.	Do vouchers approved for payment contain:		
	A. Signature of person who verified quantities and description of materials received or services rendered?	YES	NO
	B. Copies of purchase order, delivery slips, etc.?	YES	NO
7.	Were all vouchers approved by the governing body?	YES	NO
8.	Is there segregation of duties between the purchasing, receiving, and disbursement functions?	YES	NO
9.	Are total accounts payable balances verified with the accounts payable control periodically?	YES	NO

Payroll

1.	Are payrolls approved by a responsible official outside the payroll department?	YES	NO
2.	Are the functions of payroll preparation and distribution separated?	YES	NO
3.	Are the personnel records maintained separately from payroll preparation and distribution?	YES	NO
4.	Are names added to and deleted from payroll and rates of pay changed only upon written authorization?	YES	NO
5.	Are new employees, employee promotions and rates of pay approved by the governing body?	YES	NO
6.	Are all payroll deductions supported by signed authorizations on file?	YES	NO
7.	Are payroll deductions promptly paid to the proper agencies?	YES	NO
8.	Are records maintained to control and verify vacation time, sick leave, etc., taken and accumulated?	YES	NO
9.	Are all employees paid by check or by direct deposit?	YES	NO
10.	Are payroll check endorsements and employee account authorizations scrutinized?	YES	NO
11.	Are old outstanding payroll checks investigated by someone independent of the payroll preparation?	YES	NO
12.	Is there a separate bank account for payroll	YES	NO

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disbursements?

A. Are deposits in exact amount of payroll?	YES	NO
B. Is the payroll bank balance reconciled monthly by someone independent of payroll preparation?	YES	NO
C. Are payroll procedures established by resolution of the governing body?	YES	NO

Property, Plant and Equipment

1. Are detailed fixed asset records maintained?	YES	NO
A. Are fixed assets properly identified with the fixed asset records?	YES	NO
B. Are additions and deletions properly authorized and promptly recorded?	YES	NO
2. Is the documentation substantiating the cost of fixed assets permanently filed?	YES	NO
3. Is there a written policy defining items to be capitalized and those to be expensed?	YES	NO
4. Does the capitalization of interest and other indirect costs conform to accounting principles?	YES	NO
5. Is a physical inventory of fixed assets taken periodically and verified to fixed assets records?	YES	NO
6. Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records?	YES	NO
7. Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft?	YES	NO

Long and Short Term Debt

1. Is a detailed record such as a bond or note register maintained of debt issue and outstanding?	YES	NO
A. Are principal and interest due dates and amounts reflected and date of payment recorded?	YES	NO
2. Are debt issues properly authorized by the governing body?	YES	NO

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3.	Does the expenditure of borrowed funds conform to the purposes authorized?	YES	NO
4.	Are paid bonds and notes properly cancelled and accounted for?	YES	NO
5.	Has the authority paid its debt service on a timely basis?	YES	NO
6.	Is the authority in compliance with all bond covenants?	YES	NO

Budget System

1.	Were the adopted operating and capital budgets and amendments thereto approved by the Director of Local Government Services?	YES	NO
2.	Were the adopted budgets and amendments recorded in the minutes?	YES	NO
3.	Are there sufficient controls to monitor expenses and revenues against budgeted amounts?	YES	NO
4.	Is a budget status report periodically furnished to the governing body?	YES	NO
5.	Are appropriations encumbered when purchase orders are issued?	YES	NO
6.	Are fixed assets acquired through budget appropriations properly capitalized?	YES	NO

Grant Management

1.	Is a permanent file of each grant maintained?	YES	NO
2.	Does the accounting system provide details of eligible expenditures to be reimbursed from each grant?	YES	NO
3.	Is each expenditure reviewed for compliance with the terms of the applicable grant?	YES	NO
4.	Does the authority have a grant manager?	YES	NO
5.	Are all required reports promptly filed with the grantor agency?	YES	NO
6.	Were grant reimbursement requests filed promptly?	YES	NO

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|----|---|-----|----|
| 7. | Are assets acquired from grant funds properly identified? | YES | NO |
| 8. | If indirect costs are chargeable to grants, has the method of allocation been approved? | YES | NO |

Electronic Data Processing

- | | | | |
|-----|---|-----|----|
| 1. | Does the authority utilize electronic data processing for accounting and financial functions? | YES | NO |
| 2. | Was the system approved by the Division of Local Government Services? | YES | NO |
| 3. | Are there sufficient audit trails to identify documents being processing and identify output? | YES | NO |
| 4. | Are there daily printouts of: | | |
| | A. Transactions? | YES | NO |
| | B. Rejected transactions? | YES | NO |
| | C. Error corrections? | YES | NO |
| 5. | Are the daily printouts reviewed and approved by supervisory personnel? | YES | NO |
| 6. | Are journal entries and error corrections authorized by supervisory personnel? | YES | NO |
| 7. | Are master files updated periodically and on schedule to prevent loss of data in transaction files? | YES | NO |
| 8. | Are there periodic printouts of updated files by E.D.P. transactions? | YES | NO |
| 9. | Are authorized users validated by user codes and passwords? | YES | NO |
| 10. | Are terminals located in a secure area, to prevent access by unauthorized personnel? | YES | NO |
| 11. | Are there backup operators to process transactions in the absence of the authorized operator? | YES | NO |
| 12. | Are there copies of all critical materials such as programs, master files, transaction files, etc.? | YES | NO |
| 13. | Are these copies stored in a safe location (offsite or in a fireproof vault onsite)? | YES | NO |
| 14. | Are mechanisms in place to guard against loss due to | YES | NO |

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power failures, fire, flood, etc.?

Electronic Funds Transfers

- | | | | |
|----|--|-----|----|
| 1. | Has the governing body adopted a resolution establishing policies and procedures governing electronic funds transfers? | YES | NO |
| 2. | Has the authority's chief financial officer been charged by the governing body with the responsibility of ensuring that internal controls for electronic fund transfers are being adhered to? | YES | NO |
| 3. | Are initiation and authorization roles segregated and password restricted? | YES | NO |
| 4. | Has another officer of the authority not under the chief financial officer's authority been designated to authorize an electronic funds transfer initiated by the chief financial officer? | YES | NO |
| 5. | Are activity reports on transactions involving electronic funds transfers reviewed at least weekly by the chief financial officer or an individual under the chief financial officer's supervision, and monitored by another individual not under the chief financial officer's supervision? | YES | NO |
| 6. | Have financial institution providers of electronic funds transfer technologies submitted to the authority satisfactory proof of internal control? | YES | NO |
| 7. | Does each bill list have proper reference to the type of technology and a tracking mechanism to provide for an adequate audit trail? | YES | NO |
| 8. | For electronic funds transfers conducted through an automated clearing house transfer (ACH): | | |
| | A. Is a current Electronic Funds Transfer and Indemnification Agreement in place with a banking institution authorized to access authority bank accounts for the purpose of conducting electronic funds transfers through ACH? | YES | NO |

APPENDIX A

	B. Do users uploading an ACH file check the amounts and recipients against a register displaying ACH payments?	YES	NO
	C. Are users that can generate an ACH file neither given upload rights nor given access that permits editing of a vendor routing number or vendor account number?	YES	NO
	D. Is each edit to vendor ACH information approved by a separate individual and logged showing the user editing the data, date stamp, IP address, and approval of the edit?	YES	NO
	E. Are plain text ACH files not stored on a local computer past the time the file is transmitted to a bank?	YES	NO
9.	For electronic funds transfers conducted through a charge card/account:		
	A. Are monthly purchase orders issued for each individual charge card or account that authorize a maximum amount that can expended per month?	YES	NO
	B. Is the charge card or account limited to use with a specific vendor?	YES	NO
	C. Are outstanding balances paid in full each month?	YES	NO
	D. Has the authority adopted policies and procedures for use of charge cards/charge accounts?	YES	NO
	E. Are individuals authorized to utilize charge cards/accounts		
	i. trained on the policies and procedures governing their use?	YES	NO
	ii. signatories to a contract of understanding that includes financial responsibility for misuse?	YES	NO
	iii. covered by a bond or blanket honesty policy?	YES	NO
	F. Have individuals responsible for activity reconciliations and supervisory review been trained in the policies and procedures governing the use of charge cards/accounts?	YES	NO
10.	If the authority utilizes a procurement card		

APPENDIX A

A. Are individuals authorized to utilize procurement cards		
i. trained on the policies and procedures governing their use?	YES	NO
ii. signatories to a contract of understanding that includes financial responsibility for misuse?	YES	NO
iii. covered by a bond or blanket honesty policy?	YES	NO
B. Does a Qualified Purchasing Agent serve as program manager?	YES	NO
C. Have individuals responsible for activity reconciliations and supervisory review been trained in the policies and procedures governing the use of procurement cards?	YES	NO

THE FOREGOING QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE DIVISION OF LOCAL GOVERNMENT SERVICES FOR EACH REPORT OF AUDIT. IT IS NOT TO BE BOUND IN THE REPORT.

History

HISTORY:

Amended by R.2021 d.006, effective January 4, 2021.

See: [52 N.J.R. 1489\(a\)](#), [53 N.J.R. 53\(a\)](#).

Rewrote the section.

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N.J.A.C. 5:31-7, Appx. B

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APPENDIX B

AUDIT QUESTIONNAIRE FOR FIRE DISTRICT AUDITS

EACH QUESTION MUST BE ANSWERED.

PLEASE SELECT YES OR NO.

IF ANY ARE NOT APPLICABLE, STATE N/A AS YOUR ANSWER.

FIRE DISTRICT	_____
YEAR UNDER AUDIT	_____
AUDITOR SIGNATURE	_____
AUDITOR FIRM	_____
AUDITOR ADDRESS	_____

AUDITOR PHONE/FAX #	_____
AUDITOR EMAIL	_____

"NO" ANSWERS MUST BE EXPLAINED IN DETAIL. ATTACH ADDITIONAL SHEETS IF MORE SPACE IS REQUIRED. ANSWERS TO QUESTIONS WHICH INDICATE CORRECTIONS OR IMPROVEMENTS ARE REQUIRED MUST BE COVERED BY COMMENT AND RECOMMENDATION IN THE AUDIT REPORT. IF NOT COVERED, EXPLAIN IN DETAIL.

FIRE DISTRICT _____

General

- | | | | |
|----|---|-----|----|
| 1. | Is a general ledger maintained by the district? | YES | NO |
| 2. | Are key employees bonded in amounts required by organization policy | YES | NO |
| 3. | Is insurance coverage in force for at least the following: | | |
| | Loss or damage to assets from fire and other hazards? | YES | NO |
| | Public liability and property damage? | YES | NO |

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	Robbery, burglary, theft and disappearance?	YES	NO
	Worker's compensation?	YES	NO
4.	Are loans to employees prohibited?	YES	NO
5.	Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records?	YES	NO
6.	Has a corrective action plan been filed for the previous year audit report?	YES	NO

Cash and Investments

1.	Has the district adopted a cash management plan?	YES	NO
2.	Are all depositories and accounts authorized by resolution of the governing body?	YES	NO
3.	Are receipts deposited within 48 hours pursuant to N.J.A.C. 5:31-3.1(b)?	YES	NO
4.	Are the duties of personnel who receive and deposit cash separate from investments, cash disbursing, and bookkeeping?	YES	NO
5.	Are cash receipts adequately safeguarded before deposit?	YES	NO
6.	Is responsibility for the petty cash fund vested in only one person?	YES	NO
7.	Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers?	YES	NO
8.	Are check signers and individuals initiating or authorizing transactions utilizing standard electronic funds transfer technologies designated by resolution?	YES	NO
9.	If a mechanical check signer is used, are there procedures to control and record the check numbers and the number of checks signed?	YES	NO
10.	Is there adequate security over blank checks?	YES	NO
11.	Are the duties of personnel who disburse cash separate from the function of approving vouchers?	YES	NO
12.	Are bank statements reconciled monthly?	YES	NO
	A. Is the sequence of check numbers accounted for?	YES	NO
	B. Are check endorsements scrutinized?	YES	NO

APPENDIX B

13.	Are outstanding checks older than 6 months investigated?	YES	NO
14.	Are investments under the control of a responsible official who does not receive or disburse cash?	YES	NO
15.	Are all investments issued in the name of the district?	YES	NO
16.	Are all investment transactions approved by the governing body?	YES	NO
17.	Are all investments permitted by law or bond agreement?	YES	NO
18.	Are perpetual records of investments reflecting all pertinent information maintained?	YES	NO
19.	Is interest income verified?	YES	NO
	A. Is it promptly recorded in the accounting records?	YES	NO
20.	Are investments examined periodically and verified with the detail record and control account?	YES	NO
21.	Are investments protected against loss or theft?	YES	NO
22.	Are signature stamps, mechanical signatures, facsimile signatures, and electronic copies of signatures under adequate control and protected against unauthorized use?	YES	NO

Accounts Receivable and Income (District Taxes, User Charges and Miscellaneous)

1.	Has the district tax levy been verified with the Abstract of Ratables?	YES	NO
2.	Does the district tax revenue agree to the tax levy?		
3.	Are billings to users independently verified?	YES	NO
4.	Is there segregation of duties among accounts receivable, record maintenance, billing, and receipt of cash?	YES	NO
5.	Are total accounts receivable balances verified with the accounts receivable control periodically?	YES	NO
6.	Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?	YES	NO

APPENDIX B

7.	Are accounts receivable records promptly posted?	YES	NO
	A. Billings to users?	YES	NO
	B. Cash receipts?	YES	NO
8.	Are adjustments to accounts receivable approved by a responsible official?	YES	NO

Inventory

1.	Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal?	YES	NO
2.	Do quantities appear reasonable for normal consumption?	YES	NO
3.	Are physical inventories taken annually?	YES	NO

Accounts Payable and Purchasing

1.	Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented:		
	A. Competitive bidding and contract award?	YES	NO
	B. Informal quotations on purchases not requiring public bidding (40A:11-6.1)?	YES	NO
	C. Certificate of availability of funds prior to award of contracts (Reg. 5:30-15.4)?	YES	NO
	D. Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)?	YES	NO
	E. Emergency purchases and contracts (40A:11-6)?	YES	NO
2.	Are prenumbered or system generated purchase orders issued for all purchases, except petty cash purchases?	YES	NO
3.	Is there a record of all purchase orders issued?	YES	NO
4.	Are quantities and descriptions of materials and supplies received:		
	A. Compared to purchase orders?	YES	NO
	B. Compared to vendors' invoices?	YES	NO
	C. Verified with packing or delivery slips?	YES	NO
5.	Are open purchase orders reviewed periodically?	YES	NO
6.	Do vouchers approved for payment contain:		

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	A. Signature of person who verified quantities and description of materials received or services rendered?	YES	NO
	B. Copies of purchase order, delivery slips, etc.	YES	NO
7.	Were all vouchers approved by the governing body?	YES	NO
8.	Is there segregation of duties between the purchasing, receiving and disbursement functions?	YES	NO
9.	Are total accounts payable balances verified with the accounts payable control periodically?	YES	NO

Payroll

1.	Are the functions of payroll preparation and distribution separated?	YES	NO
2.	Are names added to and deleted from payroll and rates of pay changed only upon written authorization?	YES	NO
3.	Are new employees, employee promotions and rates of pay approved by the governing body?	YES	NO
4.	Are payroll deductions promptly paid to the proper agencies?	YES	NO
5.	Are records maintained to control and verify vacation time, sick leave, etc. taken and accumulated?	YES	NO
6.	Are all employees paid by check or by direct deposit?	YES	NO
7.	Is there a separate bank account for payroll disbursements?	YES	NO
	A. Are deposits in exact amount of payroll?	YES	NO
	B. Is the payroll bank balance reconciled monthly by someone independent of payroll preparation?	YES	NO
	C. Are payroll procedures established by resolution of the governing body?	YES	NO
8.	Are all payroll deductions supported by signed authorizations on file?	YES	NO
9.	Are payroll check endorsements and employee account authorizations scrutinized?	YES	NO

Property, Plant and Equipment

APPENDIX B

1.	Are detailed fixed asset records maintained?	YES	NO
	A. Are fixed assets properly identified with the fixed asset records?	YES	NO
	B. Are additions and deletions properly authorized and promptly recorded?	YES	NO
2.	Is the documentation substantiating the cost of fixed assets permanently filed?	YES	NO
3.	Is there a written policy defining items to be capitalized and those to be expensed?	YES	NO
4.	Does the capitalization of interest and other indirect costs conform to accounting principles?	YES	NO
5.	Do fixed asset additions conform to the adopted or amended capital budget?	YES	NO
6.	Are fixed assets carried on the accounting records at cost or, if acquired by gift, at fair market value at date of gift?	YES	NO
7.	Is a physical inventory of fixed assets taken periodically and verified to fixed asset records?	YES	NO
8.	Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records?	YES	NO
9.	Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft?	YES	NO

Long and Short Term Debt

1.	Is a detailed record such as a bond or note register maintained of debt issued and outstanding?	YES	NO
	A. Are principal and interest due dates and amounts reflected and date of payment recorded?	YES	NO
2.	Are debt issues properly authorized by the governing body?	YES	NO
3.	Does the expenditure of borrowed funds conform to the purposes authorized?	YES	NO
4.	Are paid bonds and notes properly cancelled and accounted for?	YES	NO

APPENDIX B

- | | | | |
|----|--|-----|----|
| 5. | Has the fire district paid its debt service on a timely basis? | YES | NO |
| 6. | Is the fire district in compliance with all bond covenants? | YES | NO |

Capital Leases

- | | | | |
|----|--|-----|----|
| 1. | Have all capital leases been approved by the voters? | YES | NO |
| 2. | Has the project financing for capital leases been approved by the Local Finance Board? | YES | NO |

Budget System

- | | | | |
|----|---|-----|----|
| 1. | Were the adopted operating budget and amendments thereto approved by the Director of Local Government Services? | YES | NO |
| 2. | Were the adopted budgets and amendments recorded in the minutes? | YES | NO |
| 3. | Are there sufficient controls to monitor expenses and revenues against budgeted amounts? | YES | NO |
| 4. | Is a budget status report periodically furnished to the governing body? | YES | NO |
| 5. | Are appropriations encumbered when purchase orders are issued? | YES | NO |
| 6. | Are fixed assets acquired through budget appropriations properly capitalized? | YES | NO |

Grant Management

- | | | | |
|----|---|-----|----|
| 1. | Is a permanent file of each grant maintained? | YES | NO |
| 2. | Does the accounting system provide details of eligible expenditures to be reimbursed from each grant? | YES | NO |
| 3. | Is each expenditure reviewed for compliance with the terms of the applicable grant? | YES | NO |
| 4. | Are all required reports promptly filed with the grantor agency? | YES | NO |

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5.	Were grant reimbursement requests filed promptly?	YES	NO
6.	Are assets acquired from grant funds properly identified?	YES	NO
7.	If indirect costs are chargeable to grants, has the method of allocation been approved?	YES	NO

Electronic Data Processing

1.	Does the district utilize electronic data processing for accounting or financial functions?	YES	NO
2.	Was the system approved by the Division of Local Government Services?	YES	NO
3.	Are there sufficient audit trails to identify documents being processed and identify output?	YES	NO
4.	Are master files updated periodically and on schedule to prevent loss of data in transaction files?	YES	NO
5.	Are there periodic printouts of updated files by E.D.P. transactions?	YES	NO
6.	Are authorized users validated by user codes and passwords?	YES	NO
7.	Are terminals located in a secure area, to prevent access by unauthorized personnel?	YES	NO
8.	Are there copies of all critical materials such as programs, master files, transaction files, etc.?	YES	NO
9.	Are these copies stored in a safe location (offsite or in a fireproof vault onsite)?	YES	NO
10.	Are mechanisms in place to guard against loss due to power failures, fire, flood, etc.?	YES	NO

Electronic Funds Transfers

1.	Has the governing body adopted a resolution establishing policies and procedures governing electronic funds transfers?	YES	NO
2.	Has the fire district's chief financial officer been charged by the governing body with the responsibility	YES	NO

APPENDIX B

	of ensuring that internal controls for electronic fund transfers are being adhered to?		
3.	Are initiation and authorization roles segregated and password restricted?	YES	NO
4.	Has another officer of the fire district that is not under the chief financial officer's authority been designated to authorize an electronic funds transfer initiated by the chief financial officer?	YES	NO
5.	Are activity reports on transactions involving electronic funds transfers reviewed at least weekly by the chief financial officer or an individual under the chief financial officer's supervision, and monitored by another individual not under the chief financial officer's supervision?	YES	NO
6.	Have financial institution providers of electronic funds transfer technologies submitted to the fire district proof of satisfactory internal control?	YES	NO
7.	Does each bill list have proper reference to the type of technology and a tracking mechanism to provide for an adequate audit trail?	YES	NO
8.	For electronic funds transfers conducted through an automated clearing house transfer (ACH):		
	A. Is a current Electronic Funds Transfer and Indemnification Agreement in place with a banking institution authorized to access fire district bank accounts for the purpose of conducting electronic funds transfers through ACH?	YES	NO
	B. Are users that can generate an ACH file neither given upload rights nor given access that permits editing of a vendor routing number or vendor account number?	YES	NO
	C. Is each edit to vendor ACH information approved by a separate individual and logged showing the user editing the data, date stamp, IP address, and approval of the edit?	YES	NO
	D. Are plain text ACH files not stored on a local	YES	NO

APPENDIX B

- computer past the time the file is transmitted to a bank?
9. For electronic funds transfers conducted through a charge card/account:
- | | | |
|---|-----|----|
| A. Are monthly purchase orders issued for each individual charge card or account that authorize a maximum amount that can expended per month? | YES | NO |
| B. Is the charge card or account limited to use with a specific vendor? | YES | NO |
| C. Are outstanding balances paid in full each month? | YES | NO |
| D. Has the authority adopted policies and procedures for use of charge cards/charge accounts? | YES | NO |
| E. Are individuals authorized to utilize charge cards/accounts | | |
| i. trained on the policies and procedures governing their use? | YES | NO |
| ii. signatories to a contract of understanding that includes financial responsibility for misuse? | YES | NO |
| iii. covered by a bond or blanket honesty policy? | YES | NO |
| F. Have individuals responsible for activity reconciliations and supervisory Review been trained in the policies and procedures governing the use of charge cards/accounts? | YES | NO |
10. If the fire district utilizes a procurement card
- | | | |
|--|-----|----|
| A. Are individuals authorized to utilize procurement cards | | |
| i. trained on the policies and procedures governing their use? | YES | NO |
| ii. signatories to a contract of understanding that includes financial responsibility for misuse? | YES | NO |
| iii. covered by a bond or blanket honesty policy? | YES | NO |
| B. If procurement cards are being utilized, does a Qualified Purchasing Agent serve as program manager? | YES | NO |
| C. Have individuals responsible for activity reconciliations and supervisory review been trained in the policies and procedures governing the use of | YES | NO |

APPENDIX B

procurement cards?

THE FOREGOING QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE DIVISION OF LOCAL GOVERNMENT SERVICES FOR EACH REPORT OF AUDIT. IT IS NOT TO BE BOUND IN THE REPORT.

History

HISTORY:

Amended by R.2021 d.006, effective January 4, 2021.

See: [52 N.J.R. 1489\(a\)](#), [53 N.J.R. 53\(a\)](#).

Rewrote the section.

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[N.J.A.C. 5:31-7, Appx. C](#)

This file includes all Regulations adopted and published through the New Jersey Register, Vol. 56 No. 13, July 1, 2024

NJ - New Jersey Administrative Code > TITLE 5. COMMUNITY AFFAIRS > CHAPTER 31. LOCAL AUTHORITIES > SUBCHAPTER 7. ACCOUNTING AND AUDITING

APPENDIX C

RESOLUTION

WHEREAS, [N.J.S.A. 40A:5A-15](#) requires the governing body of each local authority to cause an annual audit of its accounts to be made, and

WHEREAS, the annual audit report for the fiscal year ended _____ has been completed and filed with the ___ <insert name of authority> pursuant to [N.J.S.A. 40A:5A-15](#), and

WHEREAS, [N.J.S.A. 40A:5A-17](#), requires the governing body of each authority to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member thereof has personally reviewed the annual audit report, and specifically the sections of the audit report entitled "General Comments," "Recommendations," and "Schedule of Findings and Questioned Costs," and has evidenced that review by group affidavit in the form prescribed by the Local Finance Board, and

WHEREAS, the members of the governing body have received the annual audit and have personally reviewed the annual audit, and have specifically reviewed the sections of the annual audit report entitled "General Comments," "Recommendations," and "Schedule of Findings and Questioned Costs," in accordance with [N.J.S.A. 40A:5A-17](#),

NOW, THEREFORE BE IT RESOLVED, that the governing body of the _____ hereby certifies to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ended _____, and specifically has reviewed the sections of the audit report entitled "General Comments," "Recommendations," and "Schedule of Findings and Questioned Costs," and has evidenced that review by group affidavit in the form prescribed by the Local Finance Board.

BE IT FURTHER RESOLVED that the secretary of the authority is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by a certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON _____

Secretary

Date

APPENDIX C

We, the members of the governing body of the _____, being of full age and being duly sworn according to law, upon our oath depose and say:

1. We are duly appointed/elected (cross out one) members of the _____

2. We certify, pursuant to [N.J.S.A. 40A:5A-17](#), that we have each reviewed the annual audit report for the fiscal year ended _____, and specifically the sections of the audit report entitled "General Comments," "Schedule of Findings and Questioned Costs," and "Recommendations."

(PRINT NAME)

(SIGNATURE)

Sworn to and subscribed before me this _____ day of _____, 20 __

Notary Public of New Jersey

History

HISTORY:

Amended by R.2021 d.006, effective January 4, 2021.

See: [52 N.J.R. 1489\(a\)](#), [53 N.J.R. 53\(a\)](#).

Rewrote the section.

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APPENDIX D

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