

BOROUGH OF HALEDON

PART II

LETTERS ON INTERNAL CONTROL AND ON COMPLIANCE  
AND OTHER MATTERS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and  
Members of the Borough Council  
Borough of Haledon  
Haledon, New Jersey 07508

We have audited the financial statements-regulatory basis of the Borough of Haledon in the County of Passaic as of and for the year ended December 31, 2009, and have issued our report thereon dated August 30, 2010. Our report disclosed that, as described in note 1 to the financial statements-regulatory basis, the Borough of Haledon prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, a statement of general fixed assets is not included in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Haledon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Haledon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Haledon's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Honorable Mayor and  
Members of the Borough Council  
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

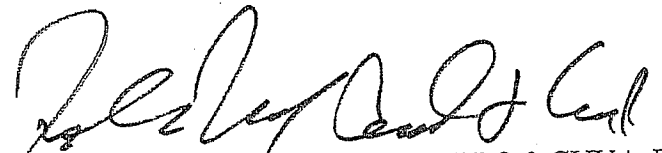
As part of obtaining reasonable assurance about whether the Borough of Haledon's financial statements-regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Haledon in the accompanying comments and recommendations section of this report.

This report is intended solely for the information of management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.

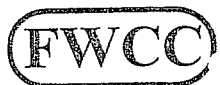


Charles J. Ferraioli, Jr., C.P.A.  
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Certified Public Accountants

August 30, 2010



## GENERAL COMMENTS

### Contracts and Agreements

N.J.S.A. 40A:11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

Effective April 17, 2000 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) is \$17,500. On July 1, 2005, the bid threshold was increased to \$21,000.

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500 or \$21,000 after July 1, 2005, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$21,000 within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following item:

Construction of Jail Cells  
Custodial Services

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services"  
N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed.

### Contracts and Agreements, (continued)

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

### Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 2, 2009 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for non-payment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

WHEREAS, NJSA 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and allow an additional penalty of 6% be collected against a delinquency in excess of \$10,000.00 on properties that fail to pay the delinquency prior to the end of the calendar year;

NOW THEREFORE BE IT RESOLVED, by the Mayor and Council of the Borough of Haledon, County of Passaic, State of New Jersey as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after the due date and 18% per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after the due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31<sup>st</sup>, an additional penalty of 6% shall be collected against the delinquency.
2. Effective January 1, 1994, there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.
4. This resolution shall be published in its entirety, once, in an official newspaper of the Borough of Haledon.
5. A certified copy of this resolution shall be provided by the Municipal Clerk to the Tax Collector, Borough Attorney, and Borough Auditor of the Borough.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on December 2, 2009, and was complete.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2009	2
2008	2
2007	1

**Verification of Delinquent Taxes and Other Charges**

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

The results of the test, which was made as of December 31, 2009, is not yet known, but a separate report will be rendered if any irregularities were developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

**OTHER COMMENTS**

**Fixed Assets**

\*The Borough has not valued its fixed assets as required by State regulation.

**General Assistance Program**

\*General Assistance Petty Cash Account is not being reconciled on a monthly basis.

**Payroll**

\*Payroll Account was not being reconciled on a monthly basis.

Third quarter pension payments were filed late, resulting in penalties.

**IRS Form 1099**

\*IRS Form 1099 was not issued for Rental Assistance paid on behalf of General Assistance Clients.

**Other**

\*Business Registration Certificates were not on file for several vendors.

There exists several outstanding grants receivable as detailed on Exhibit A-24 that should be reviewed for collectibility.

OTHER COMMENTS, (continued)

Other, (continued)

The tax postings to the General Ledger and Cash Receipts Journal were not in agreement with the Account Status Reports.

\*Several vouchers did not contain all of the required signatures.

\*There were four employees that met the requirements to be enrolled in the State Pension System that were not enrolled.

\*There exists a miscellaneous receivable in the Water Utility Fund that has been outstanding for several years and should be collected.

There exists various interfunds that have existed for several years that should be liquidated.

RECOMMENDATIONS

- \*1. That the Borough update its inventory and value its Fixed Assets according to the requirements promulgated by the Division of Local Government Services.
- \*2. That the General Assistance Petty Cash Account be reconciled on a monthly basis.
- \*3. That IRS Form 1099 be prepared for all recipients of Rental Assistance Payments.
- \*4. That the Payroll Account be reconciled on a monthly basis.
5. That quarterly pension reports be filed in a timely manner.
- \*6. That all employees that are required to be enrolled in the State Pension System be enrolled.
- \*7. That the miscellaneous receivable in the Water Utility Fund be collected.
- \*8. That Business Registration Certificates be kept on file for all vendors that meet the statutory requirements.
9. That the various grants receivable as detailed on Exhibit A-24 be reviewed for collectibility.
- \*10. That all vouchers contain all of the required signatures.
11. That the tax postings to the General Ledger and Cash Receipts Journal be reconciled to the monthly Tax Account Status Reports.
12. That an effort be made to liquidate all interfunds.

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all with the exception of those marked with an "\*" which are included in this year's recommendations.

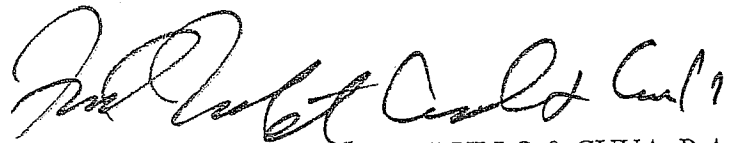
The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

Very truly yours,



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