



# State of New Jersey

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**KEVIN D. WALSH**  
*Acting State Comptroller*

**CHRISTOPHER JENSEN**  
*Director*

December 10, 2024

Hon. Phyllis A. Magazzu, Mayor  
Township of Berlin  
Municipal Building  
135 Route 73 South  
West Berlin, NJ 08091

## **Re: Follow-Up Report – A Performance Audit of Selected Fiscal and Operating Practices of the Township of Berlin**

Dear Mayor Magazzu:

On December 17, 2021, we issued an audit report, *A Performance Audit of Selected Fiscal and Operating Practices of the Township of Berlin* (2021 Audit),<sup>1</sup> in which we made recommendations to address identified weaknesses. Pursuant to N.J.S.A. 52:15C-11, we have conducted a follow-up review of the corrective action plan of the Township of Berlin (Berlin or Township) to assess the implementation of the recommendations contained in the 2021 Audit. Our findings and conclusions are set forth below.

## **Background, Scope, and Objective**

Our audit of the Township identified internal control and oversight weaknesses that resulted in a failure to comply with various policies and laws, including unused sick leave, timekeeping, new hires, reimbursements, health benefits eligibility, master plan requirements, and procurement laws. Additionally, we found Berlin did not have policies addressing the sale of municipal properties, personal use of municipal vehicles, and access to its accounting system.

The objective of our follow-up review was to determine if the Township implemented the 13 recommendations contained in our 2021 Audit report.

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<sup>1</sup> Available at: [https://www.nj.gov/comptroller/news/docs/berlin\\_audit\\_report\\_appendixa.pdf](https://www.nj.gov/comptroller/news/docs/berlin_audit_report_appendixa.pdf).

## Summary Conclusion

We found that Berlin has made progress in implementing the 13 recommendations set forth in our 2021 Audit. Of the 13 audit recommendations, 6 were implemented, 6 were partially implemented, and 1 was not implemented. We found that Berlin, as a result of our recommendations, generated \$380,000 in revenue through the sale of municipally-owned properties. However, we also found that the Township continued to improperly calculate waiver payments; did not comply with Township ordinances and procedures when processing employee reimbursements; and did not receive quotes for its dental insurance contract. We urge the Township to continue its efforts to address the recommendations not yet fully implemented.

## Status of Initial Audit Recommendations

### Recommendation 1

*Develop policies and procedures for unused sick leave payments and ensure that all Township officials comply with the terms of collective bargaining agreements. In addition, Berlin must ensure that its collective bargaining agreements comply with state law and that any unused sick leave payments for the two police officers addressed in this report do not exceed the collective bargaining provisions upon their retirement.*

#### ***Status: Implemented***

Our 2021 Audit found that Berlin improperly paid approximately \$60,000 to two employees for unused sick leave prior to retirement, in violation of collective bargaining agreements (CBAs). Specifically, the CFO, mayor, and clerk approved unused sick leave payments in violation of the Berlin Township Police Association Contract Agreements (Police Agreements). In addition, the council meeting minutes documenting the approval for the unused sick leave payments did not contain details, including the officer or the specific computation of the payments. Our 2021 Audit also found that the Police Agreements violated N.J.S.A. 40A:9-10.4 because they permitted sick leave payments in excess of the cap established by that law for employees hired after May 21, 2010. The Township advised in its corrective action plan that it would adhere to newly agreed-upon CBAs and educate the staff responsible for the administration of these payments. In addition, Berlin committed to instituting a terminal leave worksheet requiring both the Chief Administrative Officer and Chief Financial Officer (CFO) sign off prior to processing terminal leave payments.

During our review, we found that the Township did not develop formal policies and procedures for unused sick leave payments. It did, however, issue a memorandum addressing the payment of compensated terminal leave that included limiting payments for accrued sick leave, through CBAs, to retirement or resignation. The Township also issued a terminal leave worksheet that must be prepared prior to payment.

We identified and reviewed three police officers who retired within the scope of our follow-up review and verified that unused sick time was paid out appropriately and supported by the Township's terminal leave worksheet. Our review also confirmed that the current Police Agreement is in compliance with N.J.S.A. 40A:9-10.4. Additionally, we confirmed that the two police officers addressed in our 2021 Audit report, who inappropriately received payments for

unused sick leave while employed, did not receive additional payments in excess of the collective bargaining provisions upon their retirement.

We find this recommendation implemented because Berlin instituted a process that includes the terminal leave worksheet and revised its Police Agreement. Berlin also ensured that sick leave payments for the now retired police officers addressed in our 2021 Audit did not exceed the collective bargaining provisions upon their retirement.

### **Recommendation 2**

*Seek to revise the Berlin Township Police Association Contract Agreement to include caps for unused sick leave payments at retirement consistent with state law for employees hired in 2019.*

#### ***Status: Implemented***

Our 2021 Audit found that the Police Agreement allowed for sick leave payments after 15 years of continuous service other than at retirement and in excess of the cap allowed by statute for employees hired after May 21, 2010. Although the Police Agreements included sick leave payment provisions for employees hired in 2018 and 2020, the Police Agreement did not include sick leave payment provisions for employees hired in 2019. Berlin advised in its corrective action plan that it would revise the current CBA to adhere to all applicable state laws regarding compensation of sick leave.

During our review, we confirmed that Berlin revised the Police Agreement to include sick leave payment provisions for employees hired in 2019.

We find this recommendation to be implemented due to the action taken by the Township.

### **Recommendation 3**

*Implement procedures to ensure that the council approves all new hires prior to the commencement of their employment with the Township, and no employee is included in payroll without such approval. In addition, payroll processes should include procedures to ensure that employees are paid for hours worked that are documented with supervisor-approved official time and attendance records.*

#### ***Status: Partially Implemented***

Our 2021 Audit found that the police chief and officials bypassed hiring policies and approved payroll without records addressing when the employee worked. The payroll clerk and CFO improperly processed payroll, ignoring the need for time and attendance documentation. The Township advised in its corrective action plan that it would implement a new timekeeping system in the Police Department that would require supervisor approval and review. Any modification to time entered would require the Lieutenant in charge of administration to document the change and the reason for it. In addition, Berlin would educate staff on proper personnel policies for the hiring of new employees.

During our review, we confirmed that the Township developed and implemented a personnel hiring form to be completed prior to employees commencing employment with Berlin. The Mayor,

Municipal Clerk, and the CFO all must sign the form to approve the hiring of the employee. We selected and reviewed five employees who were hired within our scope and confirmed the Township followed appropriate hiring procedures for all five employees.

We also reviewed time records for the five employees in our sample and verified that employees were paid for their documented time worked. However, we found that Berlin's timesheets still did not include evidence of supervisory approval contrary to Township policy. Our review confirmed that certain timesheets had areas designated for the employees', supervisors', and department heads' signatures,<sup>2</sup> but none of the five employees' timesheets tested contained evidence of supervisor approval. Failure to require and obtain signatures and approvals increases the risk of fraud, waste, and abuse.

We find this recommendation to be partially implemented because the Township has implemented procedures for newly hired employees. In order to fully implement this recommendation, Berlin must comply with its policies and document hours worked with supervisor-approved official time and attendance records.

#### **Recommendation 4**

*Implement procedures requiring that all employees eligible for health benefits coverage document their time and attendance. These procedures must include appropriate management review and oversight to ensure that only eligible employees obtain health insurance coverage.*

#### ***Status: Partially Implemented***

Our 2021 Audit found the Township failed to comply with its own policies and procedures to document that covered employees met the full-time work requirement to receive healthcare coverage under the State Health Benefits Program (SHBP), resulting in improper payments of approximately \$219,000. Berlin advised in its corrective action plan that it would require elected officials covered under the Township's health insurance to submit biweekly timesheets documenting the time worked on Township business.

Our review found that Berlin updated its Employee Manual to include the requirement of time and attendance records for all employees receiving health benefits coverage. We reviewed Township payroll records and determined that no council members are currently covered under the Township's health insurance, but the Mayor does receive dental coverage. We randomly selected and requested time and attendance records for four pay periods within our scope. Berlin provided timesheets for the Mayor which verified eligibility. However, consistent with Recommendation 3, the Mayor's timesheets did not include evidence of approval. As previously mentioned, the Township's policy requires timesheets to be signed and approved by a department head.

We find this recommendation partially implemented because Berlin updated its policies and procedures to include a requirement that time and attendance records be submitted by employees receiving Township health benefit coverage and approved accordingly. However, we recommend that the Township develop procedures to review and approve the timesheets. As

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<sup>2</sup> Berlin utilizes manual timesheets for its administrative staff and electronic timesheets for its Police and Public Works Departments.

stated in Recommendation 3, the failure to obtain proper approvals increases the risk for fraud, waste, and abuse.

### **Recommendation 5**

*Revise policies and procedures for the administration of health benefit opt-out waiver payments that include controls to verify employee eligibility, ensure payment calculations are accurate and in compliance with state law limitations, and require supporting documentation of an employee's alternate health insurance coverage.*

#### ***Status: Partially Implemented***

Our 2021 Audit found that the Township's failure to have appropriate procedures for processing health benefit opt-out waiver payments led to improper payments of \$46,463. In addition, the CFO failed to ensure that employees submitted the required supporting documentation to substantiate the health benefit opt-out waiver payments. The Township advised in its corrective action plan that it would develop formal policies and procedures governing waiver payments, including review and approval by the CFO.

Our review found that the Township did not revise its health benefit waiver policies. The Township did, however, circulate a health benefit opt-out waiver memorandum that provides guidance to employees on Township waiver policies and procedures. The memorandum highlights the annual waiver requirement and the need for proof of alternate coverage as required by the SHBP. Despite the memorandum, our review identified exceptions involving Berlin's waiver calculations as detailed below.

We judgmentally selected and reviewed waiver payments made to 5 of the 12 employees who received payments in 2023 and/or 2024. We recalculated the payments to verify accuracy. We also confirmed that the Township maintained proof of alternate coverage. We found calculations for eight of the ten payments were erroneous and led to minor improper payments totaling approximately \$5,300:

- One employee received a waiver payment in 2023 even though the employee's alternate coverage was with the SHBP.<sup>3</sup> Employees are prohibited from receiving a waiver payment if the alternate coverage is with the SHBP; and
- The Township did not always use accurate costs and inconsistently considered salary data to calculate waiver payments.<sup>4</sup> We note that these issues resulted in minor over and underpayments.

We find this recommendation partially implemented because the Township required supporting documentation of an employee's alternate health insurance coverage, but failed to verify employee eligibility and issued improper payments. We urge Berlin to comply with our

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<sup>3</sup> Prior to the engagement of this follow-up review, Berlin identified the ineligible employee received a waiver payment in 2023. In January 2024, the Township ceased future medical and prescription waiver payments to the employee and began recoupment by means of payroll deductions. As of July 2024, Berlin has recovered approximately \$1,400 of the \$4,900 that was overpaid and recovery efforts remain ongoing.

<sup>4</sup> Berlin's waiver payments are issued as part of the bi-weekly payroll process.

recommendation to revise and implement formal policies and procedures for the administration of waiver payments that include controls to verify employee eligibility and ensure accurate payment calculations.

#### **Recommendation 6**

*Complete a reexamination of Berlin's master plan in compliance with N.J.S.A. 40:55D-89.*

#### ***Status: Implemented***

Our 2021 Audit found that Berlin failed to update its master plan. The Township advised in its corrective action plan that it would draft a Planning Board Resolution ratifying the master plan and adopt the resolution of that plan at a subsequent council meeting.

Our 2024 review found that Berlin has completed a reexamination of its master plan in compliance with N.J.S.A. 40:55D-89. In October 2023, the Township Planning Board adopted a Master Plan Reexamination.

We find this recommendation to be implemented due to the action taken by the Township.

#### **Recommendation 7**

*Develop and implement policies and procedures regarding the acquisition, maintenance, monitoring, marketability, and disposition of municipally-owned properties. These procedures must include adequate oversight to ensure that liability and risk are minimized for unstable structures, safety hazards, and unauthorized use.*

#### ***Status: Implemented***

Our 2021 Audit found that the Township did not have a policy involving the disposal of unused, municipally-owned properties. We identified 18 properties as marketable that had not been advertised for sale. Two of the properties were not properly maintained and included structures deemed unstable by the Township engineer. Berlin advised in its corrective action plan that it would identify the responsible parties for code enforcement, maintenance, and identification of opportunities to sell municipally-owned land.

Our 2024 review found that Berlin took actions to market municipally-owned properties. In July 2023, the CFO, Mayor, code enforcement officer, and Township engineer met to discuss the sale of municipally-owned properties. In November 2023, 17 properties were sold in an auction for \$380,000. This auction included 13 of the 18 properties identified in our 2021 Audit. Berlin advised that the other properties would not be sold due to their sizes and locations. Further, we noted that the code enforcement officer regularly monitors municipally-owned properties and in September 2023, the officer identified one unsafe structure.

As Berlin has taken sufficient action to assess municipally-owned properties regarding marketability and safety hazards, we find this recommendation to be fully implemented.

### **Recommendation 8**

*Obtain legal advice regarding appropriate action related to the unauthorized use of the eight municipally-owned properties.*

#### ***Status: Implemented***

Our 2021 Audit found that the Township failed to monitor its properties to ensure no unauthorized use and that adjacent landowners illegally occupied or otherwise used eight Township-owned properties. The Township advised in its corrective action plan that after identifying all municipal properties, it would meet with code enforcement and the Township Solicitor to develop policies and procedures related to any potential unauthorized use of municipal properties.

Our 2024 review found that all eight properties were included in the properties sold at auction in November 2023, as discussed in Recommendation 7. Additionally, Berlin issued a memorandum to the Township engineer and code enforcement officer in 2022 requiring the reporting of inappropriate use of township property to the Township Solicitor. Berlin advised us that any unauthorized use would likely lead to the sale of the property. However, Berlin stated that no formal advice regarding unauthorized use has been sought beyond auctioning and the demolition of one building.

As the risk of unauthorized use has been sufficiently reduced, we find this recommendation to be implemented.

### **Recommendation 9**

*Implement policies and procedures to ensure that contracts for insurance coverage are procured and awarded in compliance with the Local Public Contracts Law.*

#### ***Status: Not Implemented***

Our 2021 Audit found that the Township failed to comply with the Local Public Contracts Law requirements in the award of its contract for prescription insurance coverage. The Township advised in its corrective action plan that it changed its prescription coverage to the SHBP and that, therefore, no action would be necessary unless a change to private insurance occurred.

Our 2024 review confirmed that Berlin is in the SHBP for prescription coverage. However, we note that during the scope of this review, Berlin procured dental insurance through a health insurance fund.

Accordingly, we evaluated whether Berlin was in compliance with the Local Public Contracts Law for its dental contract. Our review confirmed that Berlin attempted to procure the dental contract as an Extraordinary Unspecifiable Service (EUS), pursuant to N.J.S.A. 40A:11-5(1)(m). However, we found that the Township did not file the standard certification for an EUS with its governing body as required by N.J.A.C. 5:34-2.3(b), nor did it obtain competitive quotes as required by N.J.S.A. 40A:11-6.1(a). We also found that the Township placed a notice in the newspaper that included the award amount and the duration of the contract, but did not state that the contract was available for public inspection in the clerk's office, pursuant to 40A:11-5(1)(a).

We find this recommendation was not implemented. We urge Berlin to implement a policy to ensure that contracts for insurance coverage are procured and awarded in compliance with the Local Public Contracts Law and to ensure it complies fully with the laws and regulations pertaining to the solicitation of quotes, required certifications, and adequate public advertising of insurance contracts.

#### **Recommendation 10**

*Implement policies and procedures, including control activities and monitoring and oversight, to ensure that employee reimbursements are documented with detailed receipts in accordance with N.J.A.C. 5:30-9A.6 and its own ordinances.*

#### ***Status: Partially Implemented***

Our 2021 Audit found that the Township processed reimbursements without supporting documentation or approvals. Berlin advised in its corrective action plan that it would create an expense reimbursement form with required sign-offs to document approval. In addition, the Department Head would review expenses before reimbursement.

Our review confirmed that Berlin created an expense reimbursement form and sent a memorandum educating employees on the policy. Additionally, we analyzed six employee reimbursement transactions to confirm whether proper support was obtained. Our testing found that all six transactions contained a completed expense reimbursement form and detailed receipts to support the reimbursements. However, as identified in our 2021 Audit, each purchase was made prior to the creation of the purchase order, which violated Township ordinances. There was no evidence of prior approval documented. Additionally, the expense reimbursement forms relied upon by the Township did not sufficiently detail why the purchase was necessary or why the purchase could not have been made through the regular purchasing process.

We find this recommendation to be partially implemented. Although formal policies were not developed, Berlin implemented an expense reimbursement form and provided sufficiently detailed receipts. The Township though failed to comply with its ordinances. The Township also failed to document valid reasons as to why the reimbursements were necessary. We urge Berlin to implement formal policies, to comply with or amend its local ordinances to allow for such expense reimbursement without the prior creation of a purchase order, and to properly use required forms for employee reimbursements.

#### **Recommendation 11**

*Develop policies and procedures addressing the assignment and responsibilities of assigned vehicles. These procedures should require the documentation of vehicle use and appropriate monitoring, and reporting commutation use as a taxable fringe benefit pursuant to Internal Revenue Service regulations.*

#### ***Status: Partially Implemented***

Our 2021 Audit found that the Township lacked policies and procedures for the assignment of municipally-owned vehicles. In addition, Berlin failed to implement appropriate controls and adequate monitoring over the use of its vehicles. The Township advised in its corrective action



plan that it would create and distribute a policy addressing the proper use of Township vehicles and the taxability thereof, and that the vehicle in question in the 2021 Audit had been removed from the individual's possession.

During our review, we found that Berlin did not develop formal policies and procedures regarding municipally-owned vehicles, but circulated a memorandum that reiterated the Township's policy prohibiting the personal use of a Township-owned vehicle.

Our review confirmed that the Township appointed the Deputy Director of Public Works as the Office of Emergency Management coordinator. This individual was already approved for a take-home vehicle, and the Township confirmed the vehicle is equipped with an insignia and emergency lights. Vehicles retrofitted as such, qualify to be considered a "non-personal use vehicle" as defined by Internal Revenue Service regulations. Berlin confirmed that no other Township employee has a vehicle that may be taken home. However, as we identified in our 2021 Audit, Berlin did not require employees who use municipal vehicles to maintain any type of record regarding vehicle use, including mileage, date and purpose of the trip, or for personal or commutation use.

We find this recommendation partially implemented because Berlin removed the vehicle in question from our 2021 Audit from the individual's possession and reassigned the retrofitted non-personal use vehicle, and the coordinator position, to an employee already approved for a take-home vehicle. We urge the Township to implement appropriate vehicle-use monitoring policies and procedures to fully comply with our recommendation.

### **Recommendation 12**

*Update and implement Berlin's vehicle use policy to include appropriate procedures with specific time periods to ensure that the driver's license abstracts are reviewed and to verify that the CDL endorsements are current.*

#### ***Status: Implemented***

Our 2021 Audit found that Berlin did not comply with its policy and failed to review driver license history abstracts or ensure that drivers maintained their CDL endorsements. The Township advised in its corrective action plan that it updated its vehicle use policy and a reminder of the required CDL endorsement reviews were sent to the responsible parties.

As in our 2021 Audit, Berlin's current vehicle-use policies stipulate that department heads or division supervisors should conduct periodic checks of employees' driver's licenses. As a result of our recommendation, Berlin circulated a memorandum that required driver abstracts to be reviewed annually. We reviewed 11 employees from the Public Works Department and verified that an annual abstract review was conducted and driver's licenses were in good standing and had the required CDL endorsement.

We find this recommendation implemented based on the Township's drivers abstract review.

### **Recommendation 13**

*Develop policies and procedures and appropriate controls governing the accounting information*

*system by: a) Establishing a system administrator or compensating control for the creation, modification, and monitoring of systems access, including by ensuring that the system administrator is independent from any accounting transaction process; b) Limiting system access to individuals with a valid business purpose; c) Limiting duplicate accounts to the least privileges required to perform job duties; d) Enforcing segregation of duties; e) Removing, disabling, or securing unnecessary accounts; f) Periodically reviewing system access and authorizations; and g) Deactivating accounts upon separation of employment.*

***Status: Partially Implemented***

Our 2021 Audit found that Berlin failed to implement policies and procedures and adequate controls to prevent unauthorized user access to the accounting system. In addition, the Township did not monitor user account access privileges, which violated controls requiring appropriate segregation of duties. The Township advised in its corrective action plan that a thorough internal review of access level controls, within the constraints of the Township's financial software package and limited Township personnel, would be implementing the suggested policies.

Our 2024 review found that Berlin issued a memorandum outlining a review of user access policies. We reviewed user access of the accounting information system to determine if the recommended controls had been implemented. Our testing found that Berlin has made some progress addressing our recommendation. The CFO stated that he conducted semi-annual reviews of accounts and user access levels. Additionally, our testing found that no user modified their own level of access and unnecessary or terminated employees from our 2021 Audit were deactivated from the system. However, as identified in our 2021 Audit, our current review found the following issues:

- The CFO continued to serve as the system administrator without compensating controls for the creation, modification, and monitoring of systems access;
- The Township continued to allow for multiple user accounts for the tax collector and the tax clerk without limiting privileges for duplicate tax-related accounts; and
- Five accounts of employees who were no longer employed by the Township were not deactivated. We note that the accounts were deactivated upon our notification to Berlin.

As a result of these findings, we find this recommendation to be partially implemented. Berlin has addressed some of the concerns identified during our review, but work remains. We urge the Township to establish and implement formal policies and procedures to address the issues highlighted above.

## **Reporting Requirements**

We provided a draft copy of this report to the Township for its review and comment. Its response was considered in preparing our final report and is attached as Appendix A.


By statute, we are required to monitor the implementation of our recommendations. To enable us to meet this requirement, within 90 days, the Township shall provide a plan detailing the corrective

actions taken or underway to implement the outstanding recommendations. We will review the corrective action plan to evaluate whether the proposed actions effectively implement our recommendations.

We thank the management and staff of Berlin for the courtesies and cooperation extended to our auditors during this review.

Sincerely,

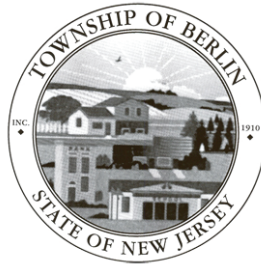
KEVIN D. WALSH  
ACTING STATE COMPTROLLER

By:   
Christopher Jensen, CPA  
Director, Audit Division

- c: Alexander Davidson, Chief Financial Officer, Berlin Township  
Marion Bodanza, Council President, Berlin Township  
Jacquelyn A. Suárez, Commissioner, Department of Community Affairs  
Micahel F. Rogers, Director, Department of Community Affairs, Division of Local Government Services  
Michele Meade, Deputy Director, Department of Community Affairs, Division of Local Government Services  
Tina Zapicchi, Assistant Director, Financial Regulations, Department of Community Affairs, Division of Local Government Services  
Jorge Carmona, Bureau Chief, Department of Community Affairs, Division of Local Government Services

MARION BODANZA  
Council President

Council Members  
FRANK EPIFANIO  
MARK REID  
FRANK McHENRY



Appendix A  
PHYLLIS MAGAZZU  
Mayor

CATHERINE UNDERWOOD  
Township Clerk

## TOWNSHIP OF BERLIN

MUNICIPAL BUILDING  
135 Route 73 South  
West Berlin, NJ 08091  
Phone (856) 767-1854

The Township would like to thank the Comptroller's office for their professionalism during their follow-up report field work. As the user of this report can clearly discern, the Township took the recommendations of the Office of the State Comptroller in their 2021 audit seriously. As this report shows, of the 13 recommendations made in the original report, 12 have been either fully implemented or partially implemented. Where the Comptroller identified recommendations as partially implemented the Township strongly feels as though most of the identified partial recommendations were fully implemented, just not to the satisfaction of the Comptroller's office requests.

Recommendations 3 and 4 the Comptroller identified as partially implemented because there was no evidence of supervisor approval of the timesheets. In most instances the timesheets in question are emailed to the payroll clerk by the outside department's head or designee in charge of payroll. The Township feels that if the timesheets were not approved for processing, then the department head would not be sending the timesheets to the payroll clerk. For other employees that work within Town Hall, they all (8 employees of which 4 are salaried) work within close proximity to the payroll clerk who can determine if the timesheet is accurate. In the future, the Township will add a line to the emails from outside departments indicating the sender is approving the attached timesheets.

Recommendation 5 we would like to highlight that of the \$5,300 discrepancies over three years the Comptroller identified in their review the Township had already identified \$4,900 prior to the comptroller personnel beginning their fieldwork with the Township and has been in the process of recouping those funds through payroll deduction. The remaining \$400 was primarily a result of contractual salary increases over the years.

Recommendation 10 regarding expense reimbursements, the Township's position is that expense reimbursements are at an absolute minimum and the reimbursements that were made all had sufficient supporting and detailed documentation. All reimbursements made were either a direct result of an urgent need for the community or because the vendor would not accept purchase orders and physical checks as payment.

Lastly, recommendation 13 is in reference to controls surrounding the Township's accounting software. New Jersey operates under a regulatory basis of accounting that is vastly different than Generally Accepted Account Principles (GAAP). Because of this, our options on what accounting software we can use are greatly reduced and we must work with what is available. In addition, most New Jersey

municipalities utilize this software. Unfortunately, the levels of controls available as they relate to system access are very limited with our accounting package. We have segregated controls as much as feasible with our software and have the CFO as system administrator. The CFO is a separately bonded position, is separate from the receipt and deposit function and cannot make disbursements without secondary approval. Because of this, the Township feels that there is a proper segregation of controls. Additionally, the CFO reconciles all accounts monthly which is a compensating control for the Tax Office's multiple user ID's. The Tax office has multiple user IDs to service our residents as efficiently as possible. Lastly, our physical building security and network security prevents unauthorized computer access for anyone whose employment has been terminated.

Respectfully,

*Township of Berlin*