

A Performance Audit of Selected Fiscal and Operating Practices of the Borough of Keansburg

For the period of January 1, 2017 through December 31, 2018



**KEVIN D. WALSH
ACTING STATE COMPTROLLER**

May 5, 2021

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Background

The Borough of Keansburg (Borough or Keansburg) is a municipality located in Monmouth County. The Borough is 1.1 square miles and has a population of approximately 10,000 residents.

Keansburg operates within the Faulkner Act under the council-manager form of municipal government. *N.J.S.A. 40A:60-1 et seq.* Voters elect five members to the council for four-year terms. The council serves as the legislative body for the Borough and chooses a mayor and a deputy mayor from among its members to serve two-year terms. The Borough Council appoints a manager who reports to the mayor and council and is responsible for the Borough's daily operations.

Audit Objective, Scope, and Methodology

The objective of our performance audit was to review the Borough's controls over selected fiscal and operating practices. Our audit covered the period January 1, 2017 through December 31, 2018. We also reviewed an employment contract for the period 2019-2020.

To accomplish our objective, we reviewed relevant statutes, regulations, Keansburg's policies and procedures, collective bargaining agreements, and individual employment contracts. We examined council meeting minutes and resolutions, audit reports, and financial records, including budget reports and supporting documentation for selected financial transactions. We also interviewed certain Keansburg personnel to obtain an understanding of their job responsibilities, overall operations, and the Borough's internal controls.

As part of our audit procedures, we selected samples of transactions for testing. Unless otherwise noted in this report, the selected samples for testing were based on professional judgment as it was not our intent to project the results onto the entire population. Our sample selections were designed to provide conclusions about the validity of the sampled transactions and the adequacy of internal controls and compliance with applicable laws, regulations, policies, and procedures. Because we used non-statistical sampling, the results of our testing cannot be projected over the entire population of like transactions.

We performed this audit pursuant to the State Comptroller's authority set forth in *N.J.S.A. 52:15C-1 et seq.* We conducted our performance audit in accordance with Generally Accepted Government Auditing Standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary of Audit Results

Our audit identified weaknesses with certain fiscal and operating practices that resulted in approximately \$125,000 of improper payments. Keansburg lacked adequate policies and procedures and key internal controls for the administration and oversight of certain personnel, payroll recordkeeping, and employee benefits. These weaknesses resulted in the Borough's failure to comply with applicable law and internal policies and procedures.

Specifically, our audit found that the Borough:

- Provided improper health benefit opt-out waiver payments of approximately \$22,000 to employees who received health insurance through the State Health Benefits Program.
- Failed to oversee the administration of employee benefits, which resulted in improper payments of approximately \$95,000 to the Chief of Police and Municipal Clerk for unused vacation and sick leave.
- Provided excessive employee benefits, including up to 55 days, or 11 weeks, of vacation to the Chief of Police.
- Failed to administer the Length of Service Award Program in compliance with state law and internal policies and procedures, resulting in improper contributions of \$7,650.
- Failed to report the taxable fringe benefits of employees' personal use of Borough-assigned vehicles contrary to federal law.

Keansburg must improve its current practices, revise and develop policies and procedures, and increase management oversight to achieve greater operational effectiveness and improve compliance with applicable law and its own internal policies and procedures.

We make 13 recommendations to enhance Keansburg's monitoring and oversight of its fiscal and business operations.

Audit Findings and Recommendations

Employee Benefits

The Borough failed to maintain proper controls for payments to employees, made improper payments, and provided wasteful and excessive benefits.

Health Benefit Opt-Out Waiver Payments

The Borough participates in the State Health Benefits Program. In accordance with *N.J.S.A. 52:14-17.31a* and *N.J.S.A. 40A:10-17.1*, the Borough provides health benefit opt-out waiver payments to employees that waive insurance coverage from the Borough when they are covered by another plan. Employees are prohibited from receiving a health benefit opt-out waiver payment if the alternate coverage is with the State Health Benefits Program or the School Employees' Health Benefits Program. *N.J.S.A. 52:14-17.31a*. The waiver payments are limited to the lesser of 25 percent of the amount saved by the Borough or \$5,000. *N.J.S.A. 52:14-17.31a; N.J.S.A. 40A:10-17.1*.

Keansburg issued health benefit opt-out waiver payments to five employees totaling \$21,333 in 2017 and to seven employees totaling \$31,250 in 2018. We reviewed all 12 waiver payments made in 2017 and 2018 to verify that the Borough processed payments in accordance with the requirements and limits of state law. Our audit found that the Borough did not have adequate controls in place to ensure that its processing of health benefit opt-out waiver payments complied with state law. These deficiencies resulted in improper payments of about \$22,000.

We found that Keansburg issued the health benefit opt-out waiver payments based on the \$5,000¹ maximum without performing an analysis to determine whether the waiver payments complied with the statutory requirement that the payment be the lesser of \$5,000 or 25 percent of the amount saved by the Borough. *N.J.S.A. 52:14-17.31a; N.J.S.A. 40A:10-17.1*. The Borough's failure to perform the analysis resulted in an overpayment of \$2,984 for one employee in 2018.

We also found exceptions with 4 of the 12 payments totaling \$19,250 paid to two employees in 2017 and 2018 who were ineligible for such payments because they were covered by the State Health Benefits Program. Keansburg used the form required by *N.J.S.A. 52:14-17.31a* issued by the Department of the Treasury, Division of Pensions and Benefits for the purposes of waiving health coverage. The form in effect for the audit period required the employee waiving the health insurance coverage to submit proof of the alternate coverage. However, Keansburg did not obtain proof of coverage for any of the employees.

Collective bargaining agreements define the terms of employment for most Keansburg employees. The two agreements in effect during the audit period included terms that allowed for annual health benefit opt-out waiver payments. Although state law permits local units to determine if and in what amount, up

¹ The Borough made payments to three employees that were less than \$5,000 because the payments were prorated for less than a 12-month term.

to the limits, to offer health benefit opt-out waiver payments, the opt-out waiver payments are statutorily prohibited from being subject to the collective bargaining process. *N.J.S.A. 40A:10-17.1* provides that “[t]he decision of a county, municipality or contracting unit to allow its employees to waive coverage and the amount of consideration to be paid therefor shall not be subject to the collective bargaining process.” The health benefit opt-out waiver provisions were therefore improperly included in the collective bargaining agreements.

The Department of Community Affairs, Division of Local Government Services has issued guidance in Local Finance Notice 2016-10² regarding health benefit opt-out waiver payments by municipalities. The guidance encourages a municipality’s governing body to annually review and thoroughly discuss its policies for such payments, the impact of the payments on the municipality’s budget, and whether such waiver payments remain fiscally prudent. The annual review performed by the Borough should include an evaluation of actual cost savings.

Vacation and Sick Leave Payments to the Police Chief and Municipal Clerk

The Borough did not have formal policies or an employee manual that addresses employee benefits. Instead, the Borough relied on the employment contracts and collective bargaining agreements to define those benefits. Our audit found that in some instances the Borough disregarded the terms of the collective bargaining agreements or employment contracts. Our audit also found that the Borough lacked oversight of the administration of unused vacation leave payments and did not provide evidence of its approval and authorization process for all of these payments. In addition, we found internal control deficiencies and excessive benefits warranting management attention to prevent further waste.

We tested the unused vacation leave payments in 2018 that were issued to two employees who were each subject to an employment contract. Our testing included verifying that the payments were processed pursuant to the provisions of the collective bargaining agreements or with the terms of the employment contracts and were processed in compliance with state law, as applicable.

Our audit found that the Borough did not comply with the terms of the individual employment contracts for either employee, which resulted in improper payments of approximately \$56,124 in 2018. The former Chief of Police (chief) and Municipal Clerk (clerk) entered into individual employment contracts that define the terms of their employment, including their salaries and employee benefits. In 2018, the chief’s salary was \$208,032 and the clerk’s salary was \$168,096.

The chief’s employment contract for 2015-2018 provided him with 50 vacation days annually and did not allow for the payment of unused vacation leave. The contract stated that “[v]acation allowance must be taken during the current calendar year at such time as permitted unless the Chief determines otherwise because of pressure of work. Any unused vacation may be carried forward into the next succeeding year only.” It further stated that “[t]here shall be no scheduled buy back for unused vacation time.” Despite the fact that the Borough and the chief had agreed that there would be no payments for vacation leave, in 2018, the chief submitted a request to be reimbursed for the unused vacation days and the Borough paid the chief for 50 unused vacation days. When we expanded our testing, we also found that the Borough paid the chief for 30 unused vacation days in 2017.

2. Available at: <https://www.nj.gov/dca/divisions/dlgs/lfns/16/2016-10.pdf>

The clerk's 2017 and 2018 employment contracts generally incorporated the terms of the 2014 - 2017 and 2018 - 2020 collective bargaining agreements to the clerk's terms of employment. The clerk's 2017 employment contract included a specific provision that provided 30 vacation days with all other provisions subject to the collective bargaining agreement. The 2018 employment contract did not include any specific provision for vacation days and referenced the collective bargaining agreement that provided 28 vacation days. The applicable collective bargaining agreements did not allow payments for unused vacation time or unused sick time except upon retirement. However, in 2018, the Borough paid the clerk for 15 unused vacation and 10 unused sick days. When we expanded our testing, we also found that the Borough paid the clerk for 5 unused vacation and 20 unused sick days in 2017.

Through the payments to the chief and the clerk, the Borough paid a total of \$39,184 in 2017 and \$56,124 in 2018 for unused vacation and unused sick days. These payments, totaling approximately \$95,000, were gratuitous and inconsistent with the terms of the individual employment contracts entered into by the Borough.

Borough officials explained that the Borough had previously provided annual payments for unused sick leave but had eliminated that benefit in the collective bargaining agreements and employment contracts as of 2014. However, the Borough Manager (manager) permitted the annual unused sick leave payments for the clerk in 2017 and 2018 based on expired contracts that were no longer in effect. Borough officials advised us that the Borough issued the payments for the clerk because the payments had been permitted in the past based on the terms of the former employment contract. In processing these payments, the Borough ignored the employee benefit changes adopted by the new employment contracts.

With a few exceptions, the collective bargaining agreements and individual employment contracts are consistent in the limitation of payments for unused sick leave. Employees retiring from the Borough are paid 50 percent of their unused sick leave upon retirement up to a maximum payment of \$15,000, except for the manager who was subject to an employment contract that specifically prohibits such payments and except for those police officers covered by the Policemen's Benevolent Association collective bargaining agreement that were hired before January 1, 1984. The clerk received a total of \$18,966 in 2017 and 2018 for unused sick leave. The clerk, who has not yet retired, had a balance of 174 sick days as of December 31, 2018. Pursuant to the terms of the employment contract, the clerk was only eligible for a payment of unused sick leave at retirement not to exceed \$15,000. Thus, the unused sick leave payments in 2017 and 2018 conflicted with the terms of the individual employment contract between the Borough and the clerk.

Our audit also found that the Borough granted the chief and the clerk vacation leave and unused vacation leave carryover in excess of their respective employment contracts. The chief was credited with 55 vacation days annually in 2017 and 2018 although the contract specified 50 vacation days. The clerk's 2017 employment contract limited unused vacation leave to be carried forward to 30 days, but the clerk was permitted to carry forward 45 unused vacation days to 2018. In 2018, the clerk received 28 vacation days, but was permitted to carry forward 41 unused vacation days to 2019, contrary to the terms of the clerk's employment contract that limited the number of vacation days that could be carried forward to 10.

Our review also revealed that Borough officials failed to implement formal procedures for the request of unused vacation leave payments. The Borough did not provide evidence of a request or its approval of the clerk's payment for 2017. In addition, the Borough failed to monitor the benefit payments. The lack of a formal process to request the leave payments, and the failure to implement adequate review and approval for such payments, resulted in the improper payment of sick leave payments to the clerk.

Both the unused vacation leave payments and the improper sick leave payments for 2017 and 2018 were paid through payroll and coded as vacation payments. The lack of detailed and appropriate coding of the payments prevent full disclosure and transparency of the employee benefit payments. This lack of transparency limits the ability of the Borough Council to ensure that it approves payments that comply with the provisions of its policies and procedures, collective bargaining agreements, terms of the employment contracts, and relevant state law.

In its 2020 report, *The Beat Goes On and On*,³ the State Commission of Investigation (SCI) identified excessive vacation leave and other such payments as wasteful and abusive, finding that "certain local employees take advantage of these sellbacks nearly every year, earning themselves a de facto annual bonus worth thousands of dollars." The concerns expressed in that report apply to Keansburg. It is noteworthy that the Keansburg Council attempted to prevent such abuses by approving contracts that prohibited vacation and sick leave payments. However, those decisions were undermined by the lack of internal controls that allowed Borough staff to approve vacation and sick leave payments without review of the contracts and without notification to the Council.

Other Forms of Waste and Abuse in Employee Benefits

We also reviewed other employee benefits present in collective bargaining agreements and individual employment contracts. In addition to the employment contracts for the chief and the clerk, the Borough executed employment contracts with three other employees: the Deputy Chief of Police (deputy), the manager, and the Superintendent of Operations (superintendent). Our review of the collective bargaining agreements and five individual employment contracts identified a number of wasteful, abusive, or otherwise problematic issues. Specifically, our review found that:

- Three of the five employees subject to employment contracts were granted annual vacation leave that exceed the current maximum of 25 days granted to state employees with 20 or more years of service. The chief's 2019-2020 contract provided him with 55 days, or 11 weeks, of vacation, which is more than 20% of the work year, not including holidays. The deputy's 2017-2018 contract provided him with 50 days, or 10 weeks, of vacation. The clerk's 2014-2017 contract provided him with 30 days, or 6 weeks, of vacation.
- The 2018-2021 collective bargaining agreement between the Borough and the police union provided police officers with more than 21 years at the Borough with between 30-45 days of vacation depending on their rank compared to 25 days for state employees with 20 years of service. Other Borough employees covered by collective bargaining agreements receive a maximum of 28 vacation days with 18 years of service.
- All Borough employees received 5 personal days (compared to 3 days for most state employees); 5 bereavement days (compared to state employees who use sick leave for bereavement absences);

3. *The State Commission of Investigation, The Beat Goes On and On* (February 2020). Available at: <https://www.state.nj.us/sci/pdf/BEAT%20GOES%20ON%20AND%20ON.pdf>

and 16 holidays (4 more than the official 12 state holidays for 2017 and 2018 – including the day after Thanksgiving, Christmas Eve, and New Year’s Eve).

- Borough employees are allowed to “sell back up to five (5) compensatory days up to twice a year within one year of being earned.” Three employees received such payments in 2017 and 2018, including the chief who received payments of approximately \$8,002 and \$3,922 in 2017 and 2018, respectively. The deputy received payments in both years totaling approximately \$10,504, and the former Deputy Chief of Police received a payment in 2017 of approximately \$6,910.
- Four contracts were not dated by the employee or Borough officials.
- The Borough used different employment contract templates that did not include consistent terms and conditions or details of the employee benefit provisions. The Borough’s use of multiple templates without consistent terms and details of the employee benefits makes it difficult for Borough officials to ensure that they are properly administering and complying with all of the provisions of the collective bargaining agreements and employment contracts. These inconsistencies also limit transparency with regard to employee benefits.
- The superintendent’s employment contract includes a provision that provides a stipend of \$1,000 per year for each Department of Environmental Protection license required to perform his duties. The contract does not specify the number of or details of the required licenses. Our cursory review of licenses administered by the Department of Environmental Protection identified four licenses that are pertinent to the Borough and renewed annually for \$50 each. The superintendent received an annual stipend of \$4,000 in 2017 and 2018. Given that the annual license renewal fees totaled \$200, these stipends are excessive.

Longevity Payments

Pursuant to the collective bargaining agreements, Borough employees may be eligible for longevity payments. Annual longevity payments range from \$500 to \$3,000 for non-police employees and from 2 to 10 percent of base pay for police officers depending on the years of service with the Borough.

In 2017 and 2018, the Borough paid approximately \$451,000 in longevity payments to 62 employees. Approximately \$341,000 (or almost 76 percent) was paid to police officers, including four police officers who received more than \$10,000 each in 2017. Three of these officers received more than \$10,000 in both 2017 and 2018. Non-police employees were paid a total of approximately \$110,000.

We have criticized longevity payments in prior reports as being wasteful.⁴ SCI has noted that longevity payments are “basically a raise simply for staying on the payroll over time” that is “in addition to regular salary adjustments” and that “numerous local public employers have begun to scale back these payments or have eliminated them altogether due to fiscal constraints.”⁵ State employees do not receive longevity payments. *N.J.A.C. 4A:3-4.1(d)*.

4. See Comptroller audit reports for the Town of Harrison, https://www.nj.gov/comptroller/news/docs/report_harrison.pdf; the Township of Hillside, the City of Perth Amboy and Gloucester City, https://www.nj.gov/comptroller/news/docs/municipalities_audit_report.pdf; and the Prospect Park School District, https://www.nj.gov/comptroller/news/docs/prospect_park_school_district_audit_report.pdf.

5. *The Beat Goes On and On*, p. 10. <https://www.state.nj.us/sci/pdf/THE%20BEAT%20GOES%20ON%20AND%20ON.pdf>

Recordkeeping for Employee Salary Adjustments

The U.S. Department of Labor requires employers to keep payroll records detailing rate of pay, hours worked, overtime pay, total additions to and deductions from wages, and total wages paid each period. 29 C.F.R. § 516.2. The Borough's recordkeeping process did not ensure the accuracy of the pay rate calculations. The payroll staff used a manual system for tracking employee salaries and adjustments. Employee wage history, annual wage modifications, and stipend pay rates were manually calculated and recorded on paper index cards. We selected a judgmental sample of 38 employees and verified that the hourly pay rates calculated manually by the Borough staff were correct and reconciled to the hourly pay rates used in the processing of payroll. Although our review did not identify any significant calculation errors or overpayments, we note that this process creates an environment prone to human error that could go undetected and result in improper payments.

Recommendations

1. Develop policies and procedures for the administration of health benefit opt-out waiver payments that include controls that 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 that complies with the appropriate records retention requirement for such documentation.
2. Eliminate the provisions for health benefit opt-out waiver payments from future collective bargaining agreements in accordance with *N.J.S.A. 40A:10-17.1*.
3. Implement procedures that enhance the administration and oversight of employee benefits, including appropriate approvals and authorization. At a minimum, the procedures should address the issues identified in this report, and ensure that employee benefits are clearly defined and administered in compliance with relevant policies and procedures, collective bargaining agreements, employment contracts, and state law.
4. Seek recoupment of the improper leave payments identified in this report.
5. Implement procedures that require employee benefit payments to be properly coded to enhance the transparency and Borough Council oversight of such payments.
6. Develop standard employment contract templates with consistent and relevant contract terms and conditions, and details of employee benefits.
7. Conduct an analysis of employee stipends, including the stipends for the superintendent's license renewals, to ensure that stipend payments are reasonable in relation to the action or activities compensated by the stipend. As appropriate based on the analysis, terminate the practice of providing stipend payments and utilize a practice of reimbursing employees for actual costs incurred and only when such costs cannot be expensed by the Borough directly.
8. Seek to negotiate future collective bargaining agreements that align employee benefits with those of state employees, including the reduction or elimination of longevity payments.
9. Implement a procedure to document employee salary records, including modifications and pay rate adjustments using an automated process to ensure accuracy in the wage calculation and to reduce the potential for human error that could result in improper payments.

Length of Service Award Program

The Borough did not administer the Length of Service Award Program in compliance with the Borough's ordinance or state law and regulations.

The "Emergency Services Volunteer Length of Service Award Program Act," which authorized the creation of the Length of Service Award Program (LOSAP), was enacted in January 1998 to provide benefits to active volunteer firefighters and first aid responders. *N.J.S.A. 40A:14-183 et seq.* The Act allows a municipality that sponsors an emergency services organization (ESO) to make deposits into tax-deferred retirement accounts. The law establishes the maximum annual contribution and allows credit for longevity service that is limited to 10 years of service prior to the creation of the program. Keansburg enacted Ordinance No. 1449 in 2007 to create a LOSAP for the volunteers of Borough-sponsored ESOs beginning in 2009. Keansburg serves as the sponsoring agency for three ESOs: Keansburg Fire Company #1, New Point Comfort Fire Company #1, and the Emergency Medical Services Unit.

The criteria for program eligibility and contribution limits are outlined in the Borough's ordinance pursuant to *N.J.S.A. 40A:14-183 et seq.* The annual contributions are based on the points earned by volunteers for completing activities recognized by the ordinance. Keansburg's ordinance permits volunteers to earn points based on their participation in emergency calls, drills, trainings, meetings, fundraisers, holding elected or appointed positions, and longevity service. Volunteers receive a contribution ranging from \$100 for earning a minimum of 75 points to as much as \$1,150 for earning 100 points.

The coordinator at each ESO tracks and reports the points earned by volunteers to the manager. The manager submits an annual report to the Borough Council that lists the volunteers, completed activities, earned points, and the annual LOSAP contributions. Our review found that the Borough did not verify the data received from the coordinators before the report was submitted to the Borough Council.

In 2018, the Borough Council adopted a resolution approving LOSAP contributions for 47 volunteers that totaled \$51,700. Our audit included verifying that the points credited for all 47 volunteers were supported by documentation of the completed activities, and that the contributions were calculated accurately to ensure the Borough complied with applicable state law and its ordinance.

Our audit found that Keansburg lacked the necessary internal controls for the monitoring and oversight of the program. We found exceptions with the recordkeeping for all 47 volunteers, including points credited for activities that were not supported with evidence of the completed activity and points credited for activities that did not comply with state law and the Borough's ordinance. In one instance, a volunteer was awarded points for longevity service that exceeded the service time limit specified in the law. The volunteer was awarded points for 58 years of longevity service when the state law limits points for longevity service to the 10 years preceding the creation of the program. These internal control weaknesses resulted in miscalculated LOSAP contributions in 2018 for 12 volunteers, including 10 volunteers whose contributions were overfunded by \$7,650 and 2 volunteers whose contributions were underfunded by \$500.

Recommendations

10. Develop policies and procedures to document the management and administration of the Length of Service Award Program. The policies and procedures should include the necessary corrective actions to address the audit findings and to ensure compliance with state law and the Borough's ordinance. At a minimum, the procedures should establish the required supporting documentation, records retention process, and the appropriate controls to verify evidence that volunteers have earned allowable points for completed activities.

11. Implement timely and appropriate monitoring activities to ensure oversight of the Length of Service Award Program, including the retention of supporting documentation of completed activities and verification that points are awarded based on completed and approved activities in compliance with state law and the Borough's ordinance.

Vehicle Usage

The Borough did not comply with Internal Revenue Service (IRS) rules regarding the reporting of taxable fringe benefits related to employees' personal use of Borough-owned vehicles.

During the course of our audit, the Borough had five vehicles permanently assigned to designated employees to carry out their job responsibilities and to commute to and from work. The employees' use of Borough-owned vehicles for commutation is considered a taxable fringe benefit pursuant to IRS regulations. 26 C.F.R. § 1.61-21(f).

Our audit found that the Borough did not maintain any policies and procedures addressing vehicle use, employees' reporting of mileage to the Borough, the Borough's monitoring and oversight of the vehicle use, or the Borough's responsibilities to report the taxable fringe benefits.

Recommendations

12. Develop policies and procedures to require employees to account for their actual vehicle mileage, including details of all trips, such as the date, start and end time, trip location, purpose, and actual mileage. The procedures should include appropriate Borough review and monitoring of the employee mileage reports to identify any personal or commuting use. Any unusual or inappropriate vehicle use should be documented and addressed appropriately, including, but not limited to, through employee discipline.

13. Implement a process to assess taxable fringe benefits for employees' personal and commutation use of the Borough-owned vehicles pursuant to Internal Revenue Service regulations.

Reporting Requirements

We provided a draft copy of this report to Keansburg officials for their review and comment. Borough officials agreed with our audit findings and conclusions, and its response indicated they have taken steps and will continue to implement corrective actions to address our recommendations. The Borough's comments were considered in preparing our final report and are attached as Appendix A.

We are required by statute to monitor the implementation of our recommendations. In accordance with *N.J.A.C. 17:44-2.8(a)*, within 90 days following the distribution of the final audit report, the Borough is required to provide a plan detailing the corrective action taken or underway to implement the recommendations contained in the report and, if not implemented, the reason therefore. We will review the corrective action plan to evaluate whether the steps taken by the Borough effectively implement our recommendations.

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



Borough of Keansburg

Raymond B. O'Hare, Borough Manager

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April 23, 2021

Ms. Yvonne Tierney
Audit Director
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P.O. 024
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Dear Ms. Tierney:

First and foremost I want to thank your staff for their time and assistance in helping to make the Borough of Keansburg operate in a more efficient and effective manner. The professionalism exhibited by your staff was appreciated and respected.

I would like to offer this communication as a response to some of the points in your audit report.

Page (3) of your Audit Report, Summary of Audit Results, list the major deficiencies your audit team discovered during their audit. I would like to briefly discuss each deficiency.

The first deficiency discussed was the payment of monies to an employee who took part in the health benefit opt-out waiver. As soon

as this deficiency was reported to us I met with the employee involved and explained the matter to her. She agreed to refund the borough \$11,250. She signed an agreement with the borough to have funds taken out of her paycheck each payday until the monies are repaid to the borough. If she were to retire or leave employment with the borough before full repayment of the funds she would refund the difference. Corrective action has been taken to ensure this cannot and will not happen again.

The next deficiency discussed was the payment of funds to the Chief of Police and Municipal Clerk. The payment of these funds to the Chief of Police was contractual. The problem discovered was the contract covering the time frame of the audit did not contain the wording allowing for payment of these funds. The previous contract and the following contract for the Chief of Police showed this was a mistake made when typing up the contract covering this time period.

The only statement I take exception to is on page (6) of your report. The report implies that the Chief and I agreed there would be no buy back but we did it anyway. I truly believed, as did the Chief of Police, that his contract did in fact contain the same wording as his previous contract and succeeding contract regarding the buying back of vacation time. It was only discovered during the audit that this section was accidentally left out of his contract.

As to the Municipal Clerk, the decision to buy back his accrued vacation time was solely my decision. I based this decision on the State Audit report we had requested the state conduct during Governor Whitman's administration. One of the recommendations was for the borough to pay for this time sooner rather than later as it would cost the borough more funds. I gave a copy of that Audit Report to your team.

However, after speaking with your audit team I have since advised both the Chief of Police and Municipal Clerk there will be no more buy back of any days. I am presently involved in drawing up a new contract for the Chief of Police which will state there will be no buy back provision.

The next deficiency discussed is the amount of vacation time for the Chief of Police. This vacation time is a contractual matter. I have repeated stated to our Mayor and Council that the vacation allotted to all borough employees, especially the police department is excessive.

For example, the following is the vacation given to each rank of the police department:

Patrolman	25 days
Sergeant	30 days
Lieutenant	35 days
Captain	40 days
Deputy Chief	45 days
Chief	50 days.

In all fairness to the police officers, years ago past managers had given extra vacation time to the police officers in return for them accepting a lesser pay raise. Each and every contract I have negotiated with the PBA I have attempted to lower the amount of vacation time.

The next deficiency discussed was the LOSAP Program. This program is operated and managed entirely by the fire department. The fire department annually submits its report for payment to the borough. The report list the names of the firefighters and the monies they have earned. A report does list the points earned by each member of the fire department. I have publically and in meetings with Mayor and Council and the Fire Department expressed my belief that this program does not achieve its purpose in drawing new members into the fire service.

The cost to the borough for the LOSAP Program has reduced significantly since it was started. It originally cost the borough approx. \$64,000 per year. It is now down to \$54,000. The fire department has been advised of their awarding excessive points in certain areas. We are currently in the process of putting greater controls and reporting for this program.

The next deficiency discussed was the use of take home vehicles for employees. When this deficiency was brought to my attention I immediately issued a Directive that any borough employee utilizing a take home vehicle was to have a daily log book listing the mileage, amount of gas, and person operating the vehicle. I have spoken with our Chief Financial Officer to determine how to correctly determine the fringe benefit allowance for any employee with the use of a take home vehicle. I am also in discussion with Mayor and Council about the termination of any and all take home vehicles.

I have read and reviewed the recommendations of your audit team. Each of their recommendations are taken seriously and corrective actions will be taken. I will meet with each department head to discuss your audit report and to implement ways to achieve your recommendations.

During the audit process, whenever a deficiency was discussed I took immediate action to address the deficiency.

After reviewing your report I do not believe we will need an exit conference. I accept the recommendations contained in your report and will take immediate action to put them into place.

I would like at this time to personally thank Daniel Rosenberg, audit team leader, for all the extra time he spent with me in person and on the phone to answer any and all of my questions and in giving me his

guidance in helping the Borough of Keansburg in becoming a more efficient and effective operation.

Respectfully submitted:

A handwritten signature in black ink, appearing to read "Raymond B. O'Hare". The signature is fluid and cursive, with a prominent initial "R" and a long, sweeping tail.

Raymond B. O'Hare
Borough Manager