

**5:30-6**  
**LOCAL FINANCE BOARD - ANNUAL AUDIT**

**5:30-6.1 Uniform accounting system for local units**

- (a) The Requirements of Audit that have been promulgated for municipalities, and counties, which are deemed to include the county surrogate's office and the county probation department, are considered as minimum requirements and should be elaborated upon whenever, in the judgment of the registered municipal accountant, it is required. The Requirements of Audit shall also apply to regional service agencies whose constituent members are solely made up of municipalities and/or counties.
- (b) Copies of Requirements of Audit may be obtained from:
- Local Finance Board  
Division of Local Government Services  
Department of Community Affairs  
PO Box 803  
Trenton, New Jersey 08625-0803
- (c) In addition to the Requirements of Audit, the registered municipal accountant of each local unit shall also utilize the requirements of the following authoritative resources, incorporated herein by reference, in conducting the annual audit as appropriate and applicable:
1. Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants;
  2. Government Accounting Standards Board with regard to disclosure of notes to the financial statements, except that municipalities, counties, and regional service agencies may use the most recent available audited GASB 68 and GASB 75 financial information published by the New Jersey Department of the Treasury, Division of Pensions and Benefits;
  3. 2 CFR Part 200 Subpart F;
  4. New Jersey Office of Management and Budget Circular 15-08; and
  5. Generally Accepted Government Auditing Standards promulgated by the U.S. General Accounting Office (Yellow Book).
- (d) A municipality that operates a solid waste collection district as of December 31, 1989, shall incorporate the district into its annual municipal audit.
- (e) As used in this section, the term "local unit" shall mean a municipality, county, and any regional services agency whose constituent members are solely made up of municipalities and/or counties.

Amended by R.2023 d.094, effective August 7, 2023.

**5:30-6.2 through 5:30-6.3 (Reserved)****5:30-6.4 Synopsis of audit**

(a) Within 30 days of receipt of the annual audit, the clerk of the county board of commissioners, the municipal clerk, or the secretary of the regional service agency, as applicable, shall have a synopsis of audit published at least once in the official newspaper of the local unit, if there is one, or if there is none, in a newspaper published in the local unit. If there is no newspaper published within the local unit, it shall be published in a newspaper having a general circulation in the local unit. The synopsis of audit shall include the following:

1. A comparative balance sheet;
2. A comparative statement of revenue, expenses/expenditures, and changes in retained earnings/fund balance;
3. A summary of all comments, findings, and recommendations. If the audit contains one or more findings repeated from the prior year's annual audit, the summary shall specifically identify those findings as repeat findings; and
4. If the annual audit contains one or more findings, a statement that a corrective action plan outlining actions to be taken to correct the finding or findings will be placed on file for public inspection with the clerk of the county board of commissioners, the municipal clerk, or the secretary of the regional service agency, as applicable. The statement shall include the date on which the corrective action plan will be on file with the clerk or secretary, as applicable, which date shall be no later than 60 days from the date on which the registered municipal accountant filed the completed annual audit with the local unit.

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

New Rule, R.2023 d.094, effective August 7, 2023.

**5:30-6.5 Certification of governing body**

(a) The annual audit of accounting records and transactions required of every local unit pursuant to N.J.S.A. 40A:5-4 shall be filed by the local unit's registered municipal accountant with the clerk of the board of county commissioners, the municipal clerk, or

the secretary of the regional service agency, as applicable, pursuant to N.J.S.A. 40A:5-6, and a copy shall be delivered to each member of the governing body.

- (b) The governing body of each local unit shall, by resolution, certify to the Local Finance Board that all members of the governing body have personally reviewed, at a minimum, the sections of the annual audit entitled: General Comments, Recommendations, Auditor's Opinions, and Single Audit Findings.
1. Such certification shall also be evidenced by the execution of a group affidavit form, promulgated by the Board, that shall be originally signed by each member of the governing body.
  2. Such resolution of certification and group affidavit shall be adopted and executed by the governing body not later than 45 days after the receipt of the annual audit.
- (c) Failure to comply with these requirements may subject the members of the local governing body to the penalty provisions of N.J.S.A. 52:27B-52.

Amended by R.2023 d.094, effective August 7, 2023.

### **5:30-6.6 Corrective action plan; summary schedule of prior year audit findings**

(a) The local unit is responsible for follow-up and corrective action on all audit findings. If the local unit's annual audit contains one or more findings, the local unit shall prepare a corrective action plan to address each finding. No later than 60 days from the date on which the registered municipal accountant filed the annual audit with the local unit, a corrective action plan shall be adopted by the governing body and placed on file with the clerk of the board of county commissioners, the municipal clerk, or the secretary of the regional service agency, as applicable. For each finding, the plan shall include:

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

(b) The local unit must also prepare a summary schedule of prior audit findings, if any. The summary schedule must include the reference numbers assigned to each finding by the registered municipal accountant, along with the fiscal year in which the finding initially occurred. No later than 60 days from the date on which the registered municipal accountant filed the annual audit with the local unit, a summary schedule of prior audit findings shall be adopted by the governing body and placed on file with the clerk of the

board of county commissioners, the municipal clerk, or the secretary of the regional service agency, as applicable.

1. When an audit finding in the prior year annual audit has been fully corrected and is not repeated in the current year annual audit, the summary schedule need only list the audit findings and state that corrective action was taken.
2. When audit findings either remain uncorrected or were only partially corrected, the summary schedule must describe the reason or reasons for the findings' recurrence and planned corrective action, and any partial corrective action already taken.
3. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the management decision of a State agency, Federal agency, or a pass-through entity, the summary schedule must provide an explanation with specific reasons.
4. When the local unit believes one or more audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:
  - i. Two years have passed since the audit report in which the State or Federal award finding occurred was submitted to the Federal Audit Clearinghouse or the Division of Local Government Services;
  - ii. The State agency, Federal agency, or pass-through entity is not currently following up with the local unit on the audit finding; and
  - iii. A management decision was not issued.

(c) When a single audit is required pursuant to 2 CFR Part 200 Subpart F or New Jersey Office of Management and Budget Circular 15-08 that results in one or more findings, the local unit shall prepare a separate corrective action plan and summary schedule of prior audit findings relative to the State or Federal awards.

(d) Each corrective action cited in a corrective action plan shall be initiated within six months after the registered municipal accountant files the annual audit with the local unit.

(e) Members of the local governing body who, after the date fixed for compliance with this section, fail or refuse to obey an order of the Director to comply, shall be subject to the penalty provisions at N.J.S.A. 52:27BB-52.

New Rule, R.2023 d.094, effective August 7, 2023.

**5:30-6.7 Required submissions to Director**

(a) A certified duplicate copy of the annual audit shall be filed with the Director, over the signature of the registered municipal accountant, within five days of the original report of audit being filed with the clerk of the county board of commissioners, the municipal clerk, or the secretary of the regional service agency, as applicable.

(b) A certified copy of the resolution and group affidavit required pursuant to N.J.A.C. 5:30-6.5(b) shall be filed with the Director within five days of the resolution being adopted by the governing body. Proof of publication of the synopsis of audit pursuant to N.J.A.C. 5:30-6.4 shall be included in the submission.

(c) The corrective action plan and summary schedule of prior audit findings shall be filed with the Director within five days of being filed with the clerk of the county board of commissioners, the municipal clerk, or the secretary of the regional service agency, as applicable.

New Rule, R.2023 d.094, effective August 7, 2023.

**5:30-6.8 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 local unit where any shortage, embezzlement, or fraud is discovered. 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. The independent auditor's responsibility for the detection of illegal acts and irregularities in an audit of financial statements shall be according to Generally Accepted Accounting Standards (GAAS).

(b) Confidential report blanks shall be submitted in triplicate; one copy for filing in the Division, one copy for filing with the local unit, 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 N.J.A.C. 5:30 Appendix, incorporated herein by reference) shall be prepared, as follows:

1. Section One is a preliminary report and must be filed with the Division within 48 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; and

3. Section Three shall be filed upon final disposition of the case.

(c) In connection with every shortage discovered by the auditor, there shall be an immediate report to the Division of Local Government Services, Bureau of Financial 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 shall render a report to the responsible deputy attorney general. The independent auditor shall follow up on these matters in each and every instance and keep the Division informed as to progress and procedure.

New Rule, R.2023 d.094, effective August 7, 2023.

**5:30-6.9 through 5:30-6.11 (Reserved)**