**COMMUNITY AFFAIRS**

**LOCAL FINANCE BOARD**

**Local Finance Board Rules**

**Readoption with Amendments: N.J.A.C. 5:30**

**Adopted New Rules: N.J.A.C. 5:30-2.7, 3.1, 3.7, 3.10, 3.11, 3.12, 3.13, 5.8, 6.4, 6.6, 6.7, 6.8, 8.6, 8.11, 10.1, 10.2, 10.3, 10.4, 15.6, 15.7, 15.8, 15.9, and 15.10, and 5:30 Appendix**

**Adopted Recodification: N.J.A.C. 5:30-10 as 5:31-9**

Proposed: February 21, 2023, at 55 N.J.R. 256(a).

Adopted: July 12, 2023, by the Local Finance Board, Jacquelyn A. Suárez, Chair.

Filed: July 12, 2023, as R.2023 d.094, **with non-substantial changes** not requiring additional public notice and comment**, but with the proposed amendments at N.J.A.C. 5:30-8.8 not adopted**.

Authority: N.J.S.A. 52:27BB-10, 28, 30, 32, and 66, 52:27D-18, 20.1, 118.30a.b, 40A:2-17.b and c, 22.1, and 51.c, 40A:4-10, 22, 43 through 45, 45.45.b, 78.b, and 83, 40A:5-16.c, 38, 45, and 48, 40A:12-6, 40A:14-194, 40A:26B-11.b, and 18A:24-61.5.

Effective Dates: July 12, 2023, Readoption;

August 7, 2023, Amendments and New Rules.

Expiration Dates: July 12, 2030, N.J.A.C. 5:30; December 9, 2027, N.J.A.C. 5:31.

**Summary** of Public Comments and Agency Responses:

**David P. Rible, Executive Director, Utility and Transportation Contractors Association of New Jersey (UTCA); Richard Henning, President & CEO of the New Jersey Utilities Association; Sabrina Rodriguez, Advocacy and Government Affairs Manager for New Jersey Future; and Rich Calbi and Mike Furrey, Co-Chairs of the Jersey Water Works’ Lead in Drinking Water Task Force, Implementation Workgroup; Kevin Donovan, Senior Audit Manager, The Curchin Group; Linda Gardner, President, Brent Material Company; Scott Woodfield, Chief Financial Officer, Union Paving Company; and Raymond Baszak.**

1. COMMENT: The commenters stated that, by defining and limiting what local governments can charge to contractors, in addition to, law enforcement officer compensation, the proposed rule would help reduce unnecessary expenses that drive up the cost of vital transportation and public health infrastructure projects.

RESPONSE: The Local Finance Board (Board) appreciates the commenters’ support for N.J.A.C. 5:30-8.6, as proposed.

**David P. Rible, Executive Director, Utility and Transportation Contractors Association of New Jersey (UTCA)**

2. COMMENT: The UTCA supports the proposed updates to Subchapter 4 as they pertain to municipal and county capital budgets. These updates are warranted to implement N.J.S.A. 58:31-7. We especially support new N.J.A.C. 5:30-4.3(d) and the amendments at N.J.A.C. 5:30-4.5(c)2 that would require a local unit owning a water system to prepare and adopt a capital budget for each budget year. The amendments at N.J.A.C. 5:30-4.6 are a necessary part of the State’s overall strategy to ensure proper asset management for all water systems.

RESPONSE: The Board appreciates the commenter’s support for the proposed changes at Subchapter 4.

**John G. Donnadio, Esq., Executive Director, Government Finance Officers Association of New Jersey**

3. COMMENT: Proposed new N.J.A.C. 5:30-5.8 would require municipalities and counties to recode their internal digital chart of accounts to match the Flexible Chart of Accounts (FCOA) codes required by the Division of Local Government Services. A local unit’s internal chart of accounts should bear no relevance if the FCOA codes required by the Division of Local Government Services are otherwise utilized in preparing and presenting the budget. The language should be reworded to read as follows: “Municipalities and counties shall incorporate the Flexible Chart of Account (FCOA) codes promulgated by the Director into the annual budget, annual audit, and all other financial statements.”

RESPONSE: The Board agrees to make the clarifying change requested by the commenter in the final adopted rule. The Board did not intend to require the implementation of FCOA codes for purposes of internal accounting, but rather merely codify the authority of the Director of the Division of Local Government Services to standardize the chart of accounts used for municipal and county budgets and other financial statements.

**Frank Marshall, Esq., Associate General Counsel, New Jersey State League of Municipalities**

4. COMMENT: Overall, the New Jersey League of Municipalities (League) supports many of the proposed amendments and changes at N.J.A.C. 5:30. Many sections have received long-overdue updates and clarifications to become practical and workable.

RESPONSE: The Board appreciates the League’s support of the many updates incorporated into the proposed readoption of N.J.A.C. 5:30, a key goal of which is to provide greater clarity and certainty with respect to various aspects of local government fiscal practices.

5. COMMENT: The reference to web address www.state.nj.us at N.J.A.C. 5:30-1.9(a) should be changed to reflect the updated domain [www.nj.gov](http://www.nj.gov).

RESPONSE: The Board agrees to make the requested update in the final adopted rule (a similar change is also made to the email address at N.J.A.C. 5:30-1.1(e)).

6. COMMENT: As proposed, N.J.A.C. 5:30-3.2(c) would require a municipality or county to submit its approved introduced budget to the Division of Local Government Services with a certification from the governing body that the municipality’s or county’s hiring practices comply with the United States Equal Employment Opportunity Commission’s “Enforcement Guidance on the Consideration and Arrest of Conviction Records in Employment Decisions Under Title VII of the Civil Rights Act of 1964,” as amended, 42 U.S.C. §§ 2000 et seq. (April 25, 2012). The League suggests removing this provision from the final adopted rule.

 Currently, the budget document is certified by the chief municipal finance officer and municipal clerk. The proposed certification would add a governing body certification requirement concerning labor practices to a document that is the municipality’s fiscal plan. Depending on the form of government, the municipal governing body may not have hiring authority, such as in a council-manager form where hiring is the under the jurisdiction of the municipal manager.

RESPONSE: The proposed regulation is consistent with P.L. 2017, c. 183, which amended N.J.S.A. 40A:4-5 to require municipalities and counties to submit the above-referenced certification with their approved introduced budget. As such, the Board is unable to make the requested changes to this provision.

7. COMMENT: N.J.A.C. 5:30-8.6(f)1 states that, if a third-party firm administers a local unit’s program for off-duty employment of law enforcement officers, the local unit may only incorporate the amount billed by the third-party for administering the local unit’s program. Limiting the amount recoupable to just the amount billed by the third-party firm does not allow the local unit to be made whole. Some local units have arrangements with third-party firms, where the firms administer the program, but the local unit pays the officer. Under these circumstances, the local unit’s administrative costs could not be recovered. This section should be amended and clarified so that all administrative costs associated with an off-duty law enforcement employment program can be recouped by the local unit.

RESPONSE: N.J.A.C. 5:30-8.6(f) limits what may be charged to an outside entity or individual for administrative costs related to off-duty law enforcement employment to the cost of scheduling officers for off-duty employment, maintenance of time records, payroll processing, and billing. If a third-party firm administers the local unit’s program for off-duty employment of law enforcement officers by performing one or more of these tasks, the local unit may pass along the entirety of the amount billed by the third-party administrator for performing the above-referenced tasks. This subsection is being changed upon adoption to further clarify that, if a municipality has outsourced some, but not all, of the above-referenced administrative tasks, a municipality may charge for those administrative tasks that are performed by the municipality and pass along the amount billed by a third-party firm for performing other administrative tasks outsourced to that firm.

8. COMMENT: The proposed amendments at N.J.A.C. 5:30-8.8 would require a municipality’s “Long-Term Tax Exemption Report” to be submitted to the Director of the Division of Local Government Services alongside the Annual Financial Statement. While we understand the Director’s continued interest in receiving this information, we have concerns about the timing requirements. Requiring a separate report due simultaneously with the Annual Financial Statement may place an unnecessary burden on a chief municipal finance officer at a time of year when they are closing out the fiscal year, starting a new fiscal year, and crafting the budget. It is suggested that the changes to this section either be withdrawn or additional time be provided to submit the report.

RESPONSE: At this time, the Board will refrain from adopting the amendments proposed at N.J.A.C. 5:30-8.8. The Board will reexamine the rule to determine whether, in lieu of creating a separate report, further information on long-term tax exemptions could be added to the existing municipal User-Friendly Budget report section on payments in lieu of taxes (PILOTs). In addition, the Board will consider what additional regulatory measures may be needed to strengthen monitoring of long-term PILOTs to ensure municipalities, counties, and, if applicable, other local units are collecting the amount of revenues to which they are entitled pursuant to the underlying financial agreement with a redeveloper.

9. COMMENT: To date, no municipality, county, or otherwise has created a stormwater utility. This is not to say that some have not begun to explore the concept. While having draft financial reporting requirements, such as those envisioned at proposed N.J.A.C. 5:30-8.11, may be useful for those considering such a utility, the adoption of actual rules may be premature. With no currently functioning stormwater utility it is impossible to get appropriate feedback and comments on these rules. It is suggested that these rules be withdrawn until a stormwater utility is operational, so that true comments and feedback can be obtained.

RESPONSE: N.J.S.A. 40A:26B-11b requires the adoption of rules outlining the substantive requirements for, and the form and manner of, an annual stormwater utility report regardless of whether a local unit has in fact created a stormwater utility. As stormwater utilities begin to be created, the Division of Local Government Services may provide additional guidance to local units in implementing the reporting requirement and analyze whether further changes are warranted.

**John Swisher, CPA, Suplee, Clooney and Company**

10. COMMENT: As to the Subchapter 15 rules accounting for accumulated absences, the Board should consider requiring a local unit’s labor counsel to sign off or certify that any payments over $15,000 comply with applicable laws and regulations. This would take the burden of interpreting the contract out of the hands of the auditor and place it firmly in the hand of the attorney, where it should be. The Board could also require that that certification be made part of a governing body resolution approving the payment, similar to the certification of funds, and require a copy to be sent to the Division of Local Government Services. Doing so would improve transparency and alert the Division to any unusually large payments.

RESPONSE: In order to avoid the inference that the auditor render a legal opinion, the Board agrees to clarify the rule by replacing the word “determine” with “identify” in the final adopted version of N.J.A.C. 5:30-15.10. The Board may consider adding language at N.J.A.C. 5:30-15.4 requiring the local unit to consult with legal counsel when it is unclear if an employee is subject to these provisions if experience demonstrates that such consultation is necessary. However, the requirement that the auditor identify whether the employee is subject to the provisions at P.L. 2007, c. 92 or P.L. 2010, c. 3, pertaining to accumulated or compensated absence is mutually exclusive from the local unit’s compliance obligation.

**Mr. Keith Fane, Egg Harbor City**

11. COMMENT: Presently, there are many inequities with police officer outside employment.

There are municipalities that are close in proximity of others that often are assigning police officers to work for the same vendor on the same job site, sometimes in one municipality or sometimes the job site goes into two municipalities.  Very often these officers that are working the details are receiving different hourly salaries as the municipalities are billing out at various rates.  I would imagine this is an accounting nightmare for the vendors. Even more confusing is when a vendor's road construction effects areas that are policed by State Police and one or two other municipal law enforcement agencies, resulting in officers from multiple law enforcement agencies working the same detail for the same vendor, but with the officers receiving different pay rates.

 My suggestion to this would be to make road construction and all outside employment of law enforcement billable at either one Statewide hourly rate or separate North Jersey and South Jersey rates.  This hourly rate should be approximately $110.00 to $125.00 per hour with the portion paid to the police officer ranging from $85.00 to $100.00 per hour, with the amount reviewable and subject to change every three years.

RESPONSE: The commenter’s suggested language would require a statutory change, as the Board does not possess the authority to establish a standard rate for off-duty law enforcement employment. In many instances, compensation to law enforcement officers for off-duty work is governed under a collective negotiated agreement. Additionally, N.J.A.C. 5:30-8.6(a) is being amended to note that “law enforcement officers engaging in outside employment [must be] consistent with the Federal Fair Labor Standards Act (FLSA), 29 U.S.C. §§ 201 et seq.”

**Summary** of Agency-Initiated Changes:

1. At N.J.A.C. 5:30-2.9, a duplicative reference to authorities is being deleted.

2. At N.J.A.C. 5:30-3.8(d)14iii, instead of requiring a municipality to list each individual position for which an individual serving therein is subject to restrictions on accumulated absence compensation and/or accumulation pursuant to law, the Board is changing the regulation to require a municipality to list in its User-Friendly Budget, the number of individuals, regardless of whether part of a collective bargaining unit, that are subject to restrictions on accumulated absence compensation and/or accumulation pursuant to P.L. 2007, c. 92, or P.L. 2010, c. 3. This provision is consistent with N.J.A.C. 5:30-15.3(a)3, as adopted by the Board.

3. At N.J.A.C. 5:30-6.1, the provision extending the audit requirements for municipalities and counties to regional service agencies (also known as joint meetings) is being changed to clarify that its application is limited to those regional service agencies whose constituent local units are solely made up of municipalities and/or counties.

4. At N.J.A.C. 5:30-6.4, 6.5, 6.6, and 6.7, the changes add references to the secretary of a regional service agency. Also at N.J.A.C. 5:30-6.5, the phrase “the sections of the annual audit entitled” are being deleted, as it is duplicative.

 5. At N.J.A.C. 5:30-7.4(b)1, municipalities that have issued refunding obligations of fiscal year adjustment bonds will remain categorically ineligible for local examination. There are no current municipalities impacted by this change; however, the Division still needs to review these budgets based on their potential overall impact.

 6. N.J.A.C. 5:30-8.2(b), clarification is added to indicate that the specified surety bond schedule for chief financial officers is the minimum schedule; and the requirement will be effective on January 1, 2024.

7. At N.J.A.C. 5:30-8.6(a), the Board is creating greater consistency with N.J.A.C. 5:30-8.6(c), by clarifying that a local unit’s formal policy regulating outside employment of off-duty law enforcement officers shall, in addition to the Federal Fair Labor Standards Act (FLSA), be consistent with applicablelawand any relevant provisions included in a collective negotiated agreement(s) to which the local unit’s law enforcement officers are subject.

8. At N.J.A.C. 5:30-13.3(a), the change clarifies that appointments to a financial review board created pursuant to N.J.S.A. 52:27D-118.30a(b) shall be made pursuant to statute.

9. N.J.A.C. 5:30-15.10(a) is clarified to indicate that it is the “employee being tested” that this provision applies to, not just “the employee.”

10. At N.J.A.C. 5:30-16.2, the deadline by which the following local government officials must register in GovConnect has been pushed back from April 30, 2023 (which has already passed) to November 1, 2023:

* Business administrator or manager of a municipality;
* Administrator or manager of a county;
* Individuals designated to serve as a local unit’s purchasing agent, regardless of whether the individual is licensed as a Qualified Purchasing Agent; and
* A certified public works manager of a municipality.

11. At N.J.A.C. 5:30 Appendix, the confidential auditor report will reference its applicability to counties and joint meetings/regional service agencies, in addition to municipalities.

**Federal Standards Statement**

 As amended, N.J.A.C. 5:30-5.6(a) updates the regulatory citation to the U.S. Office of Management and Budget’s Circular A-87 as pertains to fixed asset management and reporting, and N.J.A.C. 5:30-6.1 would reference the Federal OMB regulation codifying the former Circular A-133. New N.J.A.C. 5:30-6.6 codifies the requirement that, when a single audit conducted pursuant to 2 CFR Part 200 Subpart F results in one or more findings, that the local unit shall prepare a separate corrective action plan and summary schedule of prior audit findings relative to the Federal awards. N.J.A.C. 5:30-8.6(a) requires that a formal policy adopted by a local unit concerning outside employment of off-duty law enforcement officers be consistent with the Federal Fair Labor Standards Act (FLSA), 29 U.S.C. §§ 201 et seq. These rules do not exceed the Federal standards, and, therefore, no Federal standards analysis is required.

In all other cases, the rules readopted with amendments, new rules, and a recodification are not being readopted pursuant to the authority of, or in order to implement, comply with, or participate in any program established pursuant to Federal law or a State law that incorporates or refers to Federal law, standards, or requirements.

 **Full text** of the readopted rules can be found in the New Jersey Administrative Code at N.J.A.C. 5:30.

 **Full text** of the adopted amendments, new rules, and recodification follows (additions to proposal indicated in boldface with asterisks **\*thus\***; deletions from proposal indicated in brackets with asterisks \*[thus]\*):

SUBCHAPTER 1. GENERAL PROVISIONS

5:30-1.1 Rules and regulations

(a)-(d) (No change.)

(e) Additional information on the Board and its practices can be obtained by contacting the Executive Secretary, Local Finance Board, 101 South Broad Street, PO Box 803, Trenton, New Jersey 08625-0803, (609) 292-6613,or by email at \*[dlgs@dca.state.nj.us]\* **\*dlgs@dca.nj.gov\***.

(f) (No change.)

5:30-1.9 Use of electronic communications networks

1. Where practicable, the Division and Board shall provide notices, information, and copies of forms to the public through a website maintained by the Division. While subject to change, the website is found at https://www.nj.gov/dca/dlgs/index.shtml. As an alternate, users may access the Division's information at the State's home page at \*[www.state.nj.us]\* **\*https://www.nj.gov**\* and then use appropriate links to find the Department of Community Affairs or Division of Local Government Services.
2. (No change.)

SUBCHAPTER 2. LOCAL BOND LAW

5:30-2.9 Submission of electronic proposals for sale of bonds

(a) Local units (including municipalities, counties, authorities, and fire districts) \*[and authorities]\* planning to issue bonds may receive proposals for the competitive or negotiated sale of such bonds through an open or closed electronic auction managed by a nationally recognized electronic securities bidding service. For the purposes of this section, a closed auction includes the submission of electronically sealed bids that are opened at a set time and an open auction is where bidders submit bids against each other in real time.

(b) (No change from proposal.)

5:30-3.8 Municipal budgets, user-friendly budget section
(a)-(c) (No change from proposal.)

(d) The user-friendly budget section shall include the following:

1. – 13. (No change.)

14. As of the final day of the prior budget year:

i.The gross number of days of accumulated absences and the dollar value of the same as of the final day of the prior budget year, broken down by bargaining unit in the case of unionized employees, and by individual position in the case of non-unionized employees with those non-union employees holding more than one position reported based on the accumulated absence liability for all positions held;

ii. (No change from proposal.)

\*[iii.Each individual position, regardless of whether part of a collective bargaining unit, for which an individual serving therein is subject to restrictions on accumulated absence compensation and/or accumulation pursuant to law.]\*

**\*iii. The number of individuals, regardless of whether part of a collective bargaining unit, that are** **subject to restrictions on accumulated absence compensation and/or accumulation pursuant to P.L. 2007, c. 92 or P.L. 2010, c. 3.\***

15. – 20. (No change.)

5:30-4.5 Forms and content

(a)-(b) (No change.)

(c) Capital program forms rules are as follows:

1. (No change.)

2. A municipality with population under 10,000 that does not own a water systemmay discontinue annual capital program submissions whenever it shall, in compliance with the terms of this section, have had no capital budgets for three consecutive years provided\*[,]\* that the capital program shall be reinstated when a capital budget is adopted.

5:30-5.8 Chart of accounts for municipalities and counties

Municipalities and counties shall\*[implement for their general accounting systems]\* **\*incorporate\*** the Flexible Chart of Account (FCOA) codes promulgated by the Director\*[. Such FCOA codes shall be incorporated]\*into the annual budget, annual audit, and all other financial statements.

SUBCHAPTER 6. 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\*[created by a municipality or county]\* **\*whose constituent members are solely made up of municipalities and/or counties\***.

(b) (No change.)

(c) In addition to the Requirements of Audit, the registered municipal accountant of each localunit shall also utilize the requirements of the following authoritative resources, incorporated herein by reference, in conducting the annual audit, as appropriate and applicable:

1. (No change.)

2. Government Accounting Standards Board with regard to disclosure of notes to the financial statements,except that municipalities, counties, and regional service agencies **\*whose constituent members are solely made up of municipalities and/or counties\*** 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. -5. (No change from proposal.)

(d) (No change from proposal.)

(e) As used in this section, the term “local unit” shall mean a municipality, county, and any regional services agency\*[created by a municipality or county]\* **\*whose constituent members are solely made up of municipalities and/or counties\***.

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\*[s]\* 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.-3. (No change from proposal.)

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**\*,\*** \*[or]\* 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**\*,\*** \*[or]\* 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.

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**\*,\*** \*[or]\* **\*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:]\* all audit findings, comments, and recommendations.

1. – 2. (No change.)

(c) (No change from proposal.)

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**\*,\*** \*[or]\* **\*the\*** municipal clerk **\*, or the secretary of the regional service agency\***, as applicable. For each finding, the plan shall include:

1.-4. (No change from proposal.)

(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**\*,\*** \*[or]\* **\*the\*** municipal clerk**\*,** **or the secretary of the regional service agency\***, as applicable.

1.-4. (No change from proposal.)

(c)-(e) (No change from proposal.)

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**\*,\*** \*[or]\* the municipal clerk,**\*or the secretary of the regional service agency,\*** as applicable.

(b) (No change from proposal.)

(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**\*,\*** \*[or]\* the municipal clerk, **\*or the secretary of the regional service agency,\*** as applicable.

5:30-7.4 Eligibility for local examination

(a) (No change from proposal.)

(b) Municipalities that meet one or more of the following criteria shall not be eligible for local examination in a given year and shall have their budgets examined by the Director:

* 1. Have outstanding fiscal year adjustment bonds **\*or refunding obligations of fiscal year adjustment bonds\***;

2.-13. (No change from proposal.)

(c) (No change from proposal.)

SUBCHAPTER 8. FINANCIAL ADMINISTRATION

5:30-8.1 Electronic data processing systems for financial, revenue, and property tax accounting

1. Local units utilizing electronic data processing systems or services for financial, payroll, revenue, or property tax accounting, and equipment used for cash receipting purposes, are subject to the following provisions:
	1. Local units procuring or upgrading systems or services shall ensure that they meet the following requirements:
		1. Transaction recording and reporting elements shall provide audit trails and reports that meet generally accepted government accounting standards, \*[and meet]\* requirements of audit**\*,\*** \*[and]\* all relevant provisions of the Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**\*,\*** and rules promulgated by the Local Finance Board and the Director of the Division of Local Government Services.
		2. – iii. (No change.)
	2. (No change.)

3. The requirements of this section shall be subject to review by the local unit auditor as part of the annual review of internal controls.

5:30-8.2 Recommended surety bond coverage for chief financial officers

(a) (No change from proposal.)

(b) \*[The]\* **\*As of January 1, 2024, the**\* following schedule shall serve as the **\*minimum\*** basis for the bond amount:

1. (No change from proposal.)

5:30-8.6 Managing and accounting for outside employment of off-duty law enforcement officers

1. Each local unit that permits employment of off-duty law enforcement officers by outside entities or individuals shall adopt a formal policy relating to such employment. The policy shall provide for exercise of the local unit’s authority to regulate outside employment of off-duty law enforcement officers and to set hourly compensation rates for law enforcement officers engaging in outside employment that is consistent with the Federal Fair Labor Standards Act (FLSA), 29 U.S.C. §§ 201 et seq.**\*,** **and other applicable laws, and any relevant provisions included in a collective negotiated agreement to which the local unit’s law enforcement officers are subject.\*** For purposes of this section, off-duty work or off-duty employment shall be work performed on behalf of an outside entity or individual performed outside of a law enforcement officer’s regular shift or overtime.

(b)-(e) (No change from proposal.)

(f) Administrative costs shall be limited to the scheduling of officers for off-duty employment, maintenance of time records, payroll processing, and billing.

1. If a third-party firm administers **\*all, or a portion, of\*** the contracting unit’s program for off-duty employment of law enforcement officers, the contracting unit may only incorporate the amount billed by the third-party administrator for performing **\*one or more of\*** the above-referenced tasks.
2. A contracting unit that directly administers \*[such a program]\* **\*all, or a portion, of a program for off-duty employment of law enforcemen t officers\*** shall charge only up to the cost of hourly compensation for the lowest paid employee or employees that can efficiently perform the above-referenced tasks. Charges for staff may also include the prorated cost of payroll taxes and employer contribution toward worker’s compensation insurance, pension benefits, health benefits, and other fringe benefits.

(g) (No change from proposal.)

(h) In advance of the police-related activities being performed by the local unit’s off-duty law enforcement officers, the outside entity\*[,]\* or individual shall pay to the local unit the estimated cost of the police-related activities. The local unit shall issue a written itemized estimate to the outside entity or individual. Items charged pursuant to the “equipment” and “other costs” categories must be necessary to carry out the duties associated with the off-duty employment, and shall be specifically itemized and justified in the estimate. If a third-party firm administers the local unit’s program pursuant to (f) above, the local unit may permit the third-party administrator to receive payment from the outside entity or individual in the amount of the written estimate, which the third-party administrator must pay over to the local unit in advance of the police-related activities being performed.

(i) –(l) (No change from proposal.)

SUBCHAPTER 10. MUNICIPALITIES UNDER STATE SUPERVISION

5:30-10.4 Fiscal control officer

(a) (No change from proposal.)

(b) If the Board recommends the appointment of a fiscal control officer, the Board shall submit, to the governing body, the names of not \*[less]\* **\*fewer\*** than three persons who are found by the Board to be qualified to perform the duties of fiscal control officer for that municipality. Within 14 days of the names being submitted, or such other period as may be agreed to by the Board, the governing body shall appoint as fiscal control officer one of the persons so named. If the governing body fails to appoint a fiscal control officer within the required period, the Director shall appoint as fiscal control officer one of the persons so named.

(c)-(d) (No change from proposal.)

SUBCHAPTER 13. FINANCIAL REVIEW BOARDS

5:30-13.3 Financial review board

(a) The board shall consist of five members appointed \*[by the Governor]\* **\*pursuant to subsection b. of N.J.S.A. 52:27D-118.30a\***.

(b) - (k) (No change.)

SUBCHAPTER 15. ACCUMULATED ABSENCE MANAGEMENT AND FINANCING

5:30-15.10 Compensated absence compliance testing in annual audit

(a) As part of the annual audit, the auditor shall undertake sample testing of the local unit’s compensated absence liability, if any, using the following procedures:

1. Inspect employee personnel records to:

i. Confirm whether those records support the number of hours or days of accumulated absence recorded for the employee **\*being tested\***; and

ii. \*[Determine]\* **\*Identify\*** whether the employee is subject to the provisions at P.L. 2007, c. 92 or P.L. 2010, c. 3, pertaining to accumulated or compensated absence;

2. Confirm that the dollar value of compensated absence recorded for the employee **\*being tested**\* is authorized by a labor contract, individual employment agreement, or an ordinance or resolution, as appropriate to the local unit. If the employee is subject to the provisions at P.L. 2007, c. 92 or P.L. 2010, c. 3, pertaining to accumulated or compensated absence, the auditor shall confirm that the recorded dollar value does not exceed that authorized pursuant to law; and

 3. (No change from proposal.)

SUBCHAPTER 16. AGENCY COMMUNICATIONS WITH LOCAL UNITS

5:30-16.2 GovConnect

(a)-(b) (No change from proposal.)

(c) Covered local officials and the date by which they must be registered in GovConnect are as follows:

1.-7. (No change from proposal.)

8. Business administrator or manager of a municipality:\*[April 30]\* **\*November 1\***, 2023.

9. Administrator or manager of a county: \*[April 30]\* **\*November 1\***, 2023.

10. Individual designated to serve as a local unit’s purchasing agent, regardless of whether the individual is licensed as a Qualified Purchasing Agent:\*[April 30]\* **\*November 1\***, 2023.

11. Certified public works manager of a municipality:\*[April 30]\* **\*November 1\***, 2023.

APPENDIX

SPECIAL CONFIDENTIAL REPORT – SECTION 1, PAGE 1

(Preliminary report to be filed within forty-eight hours after discovery)

NOTE: File one copy with the Division of Local Government Services, and where a shortage develops, one copy with the municipality**\*, county, or regional services agency\***.

\*[MUNICIPALITY]\* **\*LOCAL UNIT\***: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ MUNI CODE: \_\_\_\_\_\_\_\_

COUNTY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. OFFICIAL

1. Name and Title
2. Length of service
3. Name of other person

working in or having

access to the same

1. Duties of persons referred

to in (c)

2. AMOUNT INVOLVED $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (If amount involved is not definitely known, so state, but give known

 amounts and facts as determined to date – render supplemental reports

 of findings from time to time, and give final report in Section 2.)

3. DISCOVERY

1. Date
2. Facts and circumstances leading to discovery

(attention is directed to the text of the “Requirements of Audit”)

SPECIAL CONFIDENTIAL REPORT – SECTION 1, PAGE 2

\*[MUNICIPALITY]\* **\*LOCAL UNIT\***: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ MUNI CODE: \_\_\_\_\_\_\_\_

COUNTY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. SURETY BONDS

 Corporate

1. Amounts and Company \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (b) New bond each year Yes \_\_\_\_ No \_\_\_\_

 (c) Continuation certificate Yes \_\_\_\_ No \_\_\_\_

 Personal

(d) Name, address, and business of each bondsman

1. Amount

5. REPORTED TO

1. Governing Body
	1. How – written or oral
	2. Date
2. Bonding Company
	1. By whom
	2. Company Direct
	3. Agent of Company
	4. How
	5. Date
3. Prosecutor
	1. By whom
	2. How
	3. Date

Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20\_\_\_\_ Signed \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Print Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Registered Municipal Accountant

SPECIAL CONFIDENTIAL REPORT – SECTION 2, PAGE 3

(To be filed upon completion, or reasonable determination of amount)

\*[MUNICIPALITY]\* **\*LOCAL UNIT\***: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ MUNI CODE: \_\_\_\_\_\_\_\_

COUNTY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. METHOD OR METHODS USED BY OFFICIAL

1. In obtaining funds
2. In covering up shortage

7. AMOUNT OF SHORTAGE AS DETERMINED AT THIS

 DATE, AND DATE OF DETERMINATION\_\_\_\_\_\_\_\_\_\_\_

8. REPORT OR REPORTS TO

1. Governing Body
	* 1. How – written or oral
		2. Date
2. Bonding Company
	* 1. By whom
		2. To Whom
		3. How reported
		4. Date
3. Prosecutor
	* 1. By whom
		2. How
		3. Date

Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20\_\_\_\_ Signed \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Print Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Registered Municipal Accountant

SPECIAL CONFIDENTIAL REPORT – SECTION 3, PAGE 4

(To be filed upon disposition of case)

\*[MUNICIPALITY]\* **\*LOCAL UNIT\***:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ MUNI CODE: \_\_\_\_\_\_\_\_

COUNTY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

9. DISPOSITION OF SHORTAGE OF\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Repayment by
2. Terms of Bonding Company Settlement

10. REMARKS

 (Note: Legal or criminal action and results)

Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20\_\_\_\_ Signed \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Print Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Registered Municipal Accountant

Note: To Registered Municipal Accountant

 No report will be considered complete

 Until all three (3) sections are filed