



New Jersey Libertarian Party

Open Government Advocacy Project

John Paff, Chairman

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December 27, 2011

Hon. Robert J. Seader, Mayor and members of the
Dunellen Borough Council
355 North Ave
Dunellen, NJ 08812 *(via e-mail only to wrobins@dunellenborough.com)*

Dear Mayor Seader and Council Members:

Enclosed is a November 29, 2011 letter from the New Jersey Division of Local Government Services (DLGS) to the Dunellen Parking Authority. As you can see, the DLGS is requiring the Authority to adopt a Corrective Action Plan after noting that Authority, despite repeated warnings by its auditor, failed to correct significant financial control deficiencies.

By not heeding their auditor's advice, I think that it is fair to say that the Commissioners of the Parking Authority were derelict in their duties. Since one or more of the Commissioners' terms will likely expire in a few days, I suggest that the Borough Council appoint different individuals to those vacant seats at the upcoming reorganization meeting.

Sincerely,

John Paff



State of New Jersey
DEPARTMENT OF COMMUNITY AFFAIRS
101 SOUTH BROAD STREET
PO Box 803
TRENTON, NJ 08625-0803

LORI GRIFA
Commissioner

KIM GUADAGNO
Lt. Governor

November 29, 2011

James Duhamel, Chair and
Board of Commissioners
Dunellen Parking Authority
PO Box 322
Dunellen, New Jersey 08812

Dear Chairman Duhamel and Board of Commissioners:

The Division of Local Government Services has reviewed several years of annual audits submitted to this office by the Authority. We note that there are several years of ongoing comments noting ongoing Control Deficiencies. The most significant of these deficiencies relates to controls surrounding the Monitoring of Parking Permit Fees and Parking Meter Collections and proof of collections. There lesser significant control deficiencies related to canceled checks, segregation of duties, and documentation of internal controls.

Taken together, the repeated appearance in the audit report of these control deficiencies, and despite ongoing comments that the Authority will review and or resolve the matters, it appears that the Authority is not addressing them with the degree of attention required.

Ongoing failure to resolving the significant deficiency relating to monitoring of controls is not acceptable. Therefore, the Authority is directed to report to this office within 90 days of receipt of this letter with a Corrective Action Plan that includes a timetable of actions the Authority will take to correct these deficiencies. We anticipate that the changes will be in effect by July of 2012.

Thank you for your attention to this. Please contact Division Deputy Director Marc Pfeiffer at 609-292-3316 if you have any questions concerning this directive.

Respectfully,

Thomas H. Neff, Director
Division of Local Government Services

- c: Scott Olsen, Authority Secretary/Treasurer
Marc Pfeiffer, Deputy Director
Andrew Hodulik, Authority Auditor



**DUNELLEN PARKING AUTHORITY
BOROUGH OF DUNELLEN
COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS
CALENDAR YEAR ENDED DECEMBER 31, 2010**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Dunellen Parking Authority, County of Middlesex, New Jersey, for the initial period ended December 31, 2010, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department of the Dunellen Parking Authority, County of Middlesex, and New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Dunellen Parking Authority, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

GENERAL COMMENTS

OTHER MATTERS

Financial Accounting and Reporting System

Local Finance Board requires the maintenance of an accounting system that shall include a double entry accounting for all transactions resulting in a general ledger. Also, interim and year-end financial reports comprised of statements that reflect financial position at the end of a specified accounting period and comparison of actual financial results with budgetary estimates and limitations are mandated by Local Authority regulation.

The Authority has developed and implemented a worksheet format General Ledger Accounting and Reporting System for compliance with regulations applicable to Authorities issued by the Local Finance Board, Department of Community Affairs, State of New Jersey.

Internal Control Documentation

The Authority should continue the process of documenting its internal controls. This course of action will serve the purpose of meeting certain requirements as set forth by the Statement on Auditing Standards 112. We suggest the Authority continue this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance.

**DUNELLEN PARKING AUTHORITY
BOROUGH OF DUNELLEN
COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS
CALENDAR YEAR ENDED DECEMBER 31, 2009**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Dunellen Parking Authority, County of Middlesex, New Jersey, for the initial period ended December 31, 2009, has been completed. The General Comments are herewith set forth:

Scope of Audit

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The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Dunellen Parking Authority, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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GENERAL COMMENTS

OTHER MATTERS

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**DUNELLEN PARKING AUTHORITY
BOROUGH OF DUNELLEN
COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS
CALENDAR YEAR ENDED DECEMBER 31, 2008**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Dunellen Parking Authority, County of Middlesex, New Jersey, for the initial period ended December 31, 2008, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department of the Dunellen Parking Authority, County of Middlesex, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

Internal Control Over Financial Reporting - Significant Deficiency

Monitoring of Controls – Parking Permit Fees and Parking Meter Collections

Lack of a complete monitoring of control procedures related to parking permit fees and parking meter collections.

Response: The Authority will review its control procedures to ensure control objectives are met.

Control Deficiency(s)

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A control deficiency that is not a significant deficiency or material weakness generally relates to deficiencies where there is a remote likelihood of an undetected, material misstatement occurring in the financial statements.

Canceled Checks

The current arrangement with the Authority's financial institution provides for photocopies of the canceled checks to be included in the monthly bank statements, rather than the individual checks. The manner in which the photocopies are presented does not allow for review of the endorsements on the back of the respective checks.

Segregation of Duties

Conditions exist whereby the same person may collect, record, deposit, disburse, analyze and/or reconcile cash and investment activity within the Finance Office and Authority operations.

Documentation of Components of Internal Control

As required by Statement on Auditing Standards No. 112, entities subject to audit are required to provide documentation of the various components of its internal controls.

RECOMMENDATION(S)

It is recommended that:

The Authority review and monitor control procedures related to parking permit fees and parking meter collections to ensure that desired objectives are met.

ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the Authority, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA
No. 406