

# **APPENDIX D**

## **CHAPTER VII Financial Report**

### **TOPIC Special Confidential Report**

#### **SECTION 3**

##### **3. Special Confidential Report**

## **Auditor's Responsibility for the Detection of Errors, Irregularities and Illegal Acts**

Under generally accepted auditing standards, the independent auditor has the responsibility, within the inherent limitations of the auditing process to search for errors or irregularities that would have a material effect on the financial statements. The auditor should plan and perform his examination with an attitude of professional skepticism, recognizing that the application of his auditing procedures may produce evidential matter indicating the possibility of errors, irregularities or illegal acts. The auditor's examination however is not primarily or specifically designed, and cannot be relied upon to disclose defalcations and other irregularities, although their discovery may result.

If the independent auditor's examination causes him to believe that irregularities or other illegal acts have occurred, he should immediately notify the Division of Local Government Services (DLGS) by means of a special Confidential Report exhibited below.

### **Report Format**

Confidential report blanks are in triplicates; one for filing with the DCA, one copy for filing with the Authority, and the third copy for the auditor's files. Blanks can be procured upon request from the DCA and are prepared as follows:

#### **Section 1:**

This is a preliminary report and must be filed with the DCA within forty-eight hours after the discovery of any irregularity or shortage regardless of whether or not the facts have been definitely established.

#### **Section 2:**

Must be filed immediately after the auditor has completed his work or after he has completed his preliminary work to a point where he can make a fair determination as to the amount involved. The auditor must file supplements or preliminary reports from time to time pending the filing of Section 3 in completed form.

#### **Section 3:**

Must be filed upon final disposition of the case.

In connection with every shortage, there must be an immediate written report to:

- A. The Director, New Jersey Division of Local Government Services.
- B. The Chairman of the Authority's governing body.

The governing body should be advised to make an 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 every shortage or irregularity involving public moneys to the prosecutor. The Director is not a prosecuting officer. However, if the governing body does not forthwith report such shortage or irregularity it becomes the duty of the Director to make a report to the prosecutor. The accountant must follow up on these matters in each and every instance and keep this Division informed as to progress and procedure.

An example of a special confidential report form follows:

NOTE: FILE ONE COPY WITH THE NEW JERSEY DIVISION OF LOCAL GOVERNMENT SERVICES, AND WHERE A SHORTAGE IS INVOLVED, ONE COPY WITH THE GOVERNING BODY OF THE AUTHORITY.

AUTHORITY NAME \_\_\_\_\_

LOCATION \_\_\_\_\_

**SPECIAL CONFIDENTIAL REPORT—  
SECTION 1, PAGE 1**

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

1. **OFFICIAL**
  - (a) Name and title
  - (b) Length of service
  - (c) Name of other persons working in, or having access to same office
  - (d) 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**
  - (a) Date
  - (b) Facts and circumstances leading to discovery

**SPECIAL CONFIDENTIAL REPORT—  
SECTION 1, PAGE 2**

AUTHORITY NAME \_\_\_\_\_

4. **SURETY BONDS**

Corporate

(a) Amounts and company \_\_\_\_\_

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

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

Personal

(d) Name, address and business of each bondsman

(e) Amount
5. **REPORTED TO**
  - (a) Governing body
    - (1) How—written or oral
    - (2) Date
  - (b) Bonding company

- (1) By whom
  - (2) Company direct
  - (3) Agent of company
  - (4) How—written or oral
  - (5) Date
- (c) Prosecutor
- (1) By whom
  - (2) How—written or oral
  - (3) Date

Date \_\_\_\_\_ 19\_\_\_\_ SIGNED \_\_\_\_\_

Registered Municipal Accountant  
and/or Certified Public Accountant

**SPECIAL CONFIDENTIAL REPORT—  
SECTION 2, PAGE 3**

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

AUTHORITY NAME \_\_\_\_\_

6. **METHOD OR METHODS USED BY OFFICIAL**
  - (a) In obtaining funds
  - (b) In covering up shortage
7. **AMOUNT OF SHORTAGE AS DETERMINED AT THIS DATE, AND DATE OF DETERMINATION**
8. **REPORT OR REPORTS TO**
  - (a) Governing body
    - (1) How—written or oral
    - (2) Date
  - (b) Bonding company
    - (1) By whom
    - (2) To whom
    - (3) How—written or oral
    - (4) Date
  - (c) Prosecutor
    - (1) By whom
    - (2) How—written or oral
    - (3) Date

Date \_\_\_\_\_ 19\_\_\_\_ SIGNED \_\_\_\_\_

Registered Municipal Accountant  
and/or Certified Public Accountant

**SPECIAL CONFIDENTIAL REPORT—  
SECTION 3, PAGE 4**

(To be filed upon disposition of case)

AUTHORITY NAME \_\_\_\_\_

9. **DISPOSITION OF SHORTAGE OF**
  - (a) Repayment by
  - (b) Terms of bonding company settlement
10. **REMARKS**  
(Note: Legal or criminal action and results)

Date \_\_\_\_\_ 19\_\_\_\_ SIGNED \_\_\_\_\_

Registered Municipal Accountant  
and/or Certified Public Accountant

NOTE: To Auditor—No report will be considered complete until all three sections are filed.