

**BEACHWOOD SEWERAGE AUTHORITY**  
**(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)**

**AUDITOR'S MANAGEMENT REPORT ON**  
**ADMINISTRATIVE FINDINGS**

**DECEMBER 31, 2012**

*William E. Antonides and Company*  
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT OF INDEPENDENT AUDITORS**

Chairperson and Board of Commissioners  
Beachwood Sewerage Authority  
County of Ocean  
Beachwood, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with audit requirements prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the basic financial statements of the Beachwood Sewerage Authority (the "Authority"), in the County of Ocean, for the year ended December 31, 2012, and have issued our report thereon dated September 30, 2013.

As part of our audit, we performed procedures required by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and the findings, if any, and results thereof are disclosed on the following pages.

This report is intended solely for the information and use of the management of the Authority, the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and federal and state awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**William E. Antonides and Company**

**Independent Auditors**



**William E. Antonides, Jr.**  
**Certified Public Accountant**

Wall Township, New Jersey  
September 30, 2013

An audit of the financial accounts and transactions of the Beachwood Sewerage Authority (the "Authority"), in the County of Ocean, for the year ended December 31, 2012 has recently been completed. The results of the audit are herewith set forth.

### **SCOPE OF AUDIT**

The audit covered the financial transactions of the Treasurer and the activities of the Chairman and members of the Board of Commissioners and Executive Director.

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 commissioners.

Cash on hand was counted and cash equivalent balances were reconciled with independent certifications obtained directly from the depositories.

All material items of revenue and receipts were established and verified as to source and amount where practical.

### **GENERAL COMMENTS**

#### **Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4a**

N.J.S. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." The amount set forth pursuant to the above statute was \$17,500 for municipalities and authorities without a qualified purchasing agent (QPA) and \$36,000 with a qualified purchasing agent. In 2012 it was noted that the Division of Local Government Services adopted a temporary rule that permits municipalities and authorities to increase their bid threshold to \$26,000 for a person meeting certain eligibility requirements for the future anticipated QPA certification exam. The Authority's bid threshold was \$26,000 for the year under audit.

The commissioners of the Authority have the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation within the fiscal year. Where questions arise as to whether any contract or agreement might result in a violation of the statute, the Authority Counsel's opinion should be sought before a commitment is made.

In 2012 and 2011, the commissioners awarded contracts for the construction of house connection laterals and line extensions in response to the advertisement for and receipt of competitive bids. The successful bidder, in both years, entered into a Surety and Security Agreement with the Authority pledging deposited funds equal to the contract value as a performance guarantee. This arrangement for the Authority's benefit was held to conform to contract law by the Authority attorney.

The minutes indicate that resolutions were generally adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

**Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4a (Continued)**

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-4.

**Contracts or Agreements not Required to be Advertised per N.J.S. 40A:11-6.1**

N.J.S. 40A:11-6.1 states "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable."

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute.

**FOLLOW-UP OF PRIOR YEAR FINDINGS**

In accordance with Government Auditing Standards, our procedures included a review of all prior year findings. Finding 11-01 regarding the fixed assets accounting and reporting system was addressed in 2012.

**RECOMMENDATIONS**

None

**ACKNOWLEDGMENT**

We desire to express our appreciation for the assistance and courtesies rendered by the Authority officials and employees during the course of the audit.

The foregoing comments are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments, please contact us at your earliest opportunity.

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