

CHAPTER 30

LOCAL FINANCE BOARD

Authority

N.J.S.A. 52:27BB-10, 52:27BB-30, 52:27BB-32, 52:27D-18, 40A:4-83, 40A:5-38, 40A:14-194, 40A:2-17(B) and 18, 40A:12-6 and P.L. 1998, c.45.

Source and Effective Date

R.2003 d.404, effective September 19, 2003.
See: 35 N.J.R. 2427(a), 35 N.J.R. 4862(b).

Chapter Expiration Date

Chapter 30, Local Finance Board, expires on September 19, 2008.

Chapter Historical Note

Chapter 30, Local Finance Board, was enacted as R.1970 d.40, effective April 13, 1970. See: 1 N.J.R. 17(d), 2 N.J.R. 39(a).

Subchapter 14, Local Public Contracts, was adopted as R.1977 d.128, effective May 20, 1977. See: 8 N.J.R. 371(c), 9 N.J.R. 212(a).

Subchapter 16, Tenants Property Tax Rebate Program, was adopted as R.1977 d.241, effective July 8, 1977. See: 9 N.J.R. 257(c), 9 N.J.R. 357(b).

Former Subchapter 10 and N.J.A.C. 5:30-11.1 through 5:30-11.7 were repealed by R.1979 d.16, effective January 17, 1979. See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

Pursuant to Executive Order No. 66(1978), Chapter 30, Local Finance Board, was readopted as R.1983 d.277, effective June 21, 1983. See: 15 N.J.R. 463(b), 15 N.J.R. 1180(a).

Subchapter 10, Municipal Port Authorities, was adopted as R.1984 d.381, effective September 4, 1984. See: 15 N.J.R. 1204(a), 16 N.J.R. 2357(a).

Pursuant to Executive Order No. 66(1978), Chapter 30, Local Finance Board, was readopted as R.1988 d.350, effective June 29, 1988. See: 20 N.J.R. 1027(a), 20 N.J.R. 1879(a).

Former Subchapter 9, Financial Administration, Subchapter 11, School Bonds, Subchapter 13, Forms, Subchapter 15, Appropriation Caps, and Subchapter 16, Tenants Property Tax Rebate Program, were repealed by R.1990 d.383, effective August 6, 1990. See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Subchapter 14, Local Public Contracts, was repealed and Subchapter 17, Cooperative Pricing and Joint Purchasing Systems, was recodified to N.J.A.C. 5:34-7 by R.1990 d.595, effective December 3, 1990. See: 22 N.J.R. 724(a), 22 N.J.R. 3629(a).

Pursuant to Executive Order No. 66(1978), Chapter 30, Local Finance Board, was readopted as R.1993 d.297, effective May 27, 1993. See: 25 N.J.R. 1630(a), 25 N.J.R. 2688(a).

Subchapter 7, Municipal Budget Local Examination and Approval, was adopted as R.1997 d.146, effective March 17, 1997. See: 28 N.J.R. 5125(a), 29 N.J.R. 870(a).

Subchapter 9, Government Electronic Receipt Acceptance, was adopted as R.1997 d.147, effective March 17, 1997. See: 29 N.J.R. 4(a), 29 N.J.R. 872(a).

Pursuant to Executive Order No. 66(1978), Chapter 30, Local Finance Board, was readopted as R.1998 d.307, effective May 22, 1998. See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Subchapter 13, Camden Financial Review Board, was adopted as Emergency New Rules, R.1998 d.453, effective August 13, 1998, to expire October 12, 1998. See: 30 N.J.R. 3330(a). The provisions of R.1998 d.453 were readopted as R.1998 d.530, effective October 12, 1998. See: 30 N.J.R. 3330(a), 30 N.J.R. 3938(b).

Subchapter 5, Encumbrance Accounting and Certifications of Availability of Funds, was recodified from N.J.A.C. 5:34-5 and Subchapter 11, Change Orders and Open-End Contracts was recodified from N.J.A.C. 5:34-4 by R.2000 d.485, effective December 4, 2000. See: 32 N.J.R. 3237(a), 32 N.J.R. 4300(a).

Subchapter 14, Emergency Service Volunteer Length of Service Award Program, was adopted as R.2001 d.36, effective January 16, 2001. See: 32 N.J.R. 3683(a), 33 N.J.R. 254(a), 33 N.J.R. 552(a).

Subchapter 15, Accumulated Absence Management and Financing, was adopted as R.2001 d.370, effective October 15, 2001. See: 33 N.J.R. 1509(a), 33 N.J.R. 3676(a).

Subchapter 16, Agency Communications with Local Units, was adopted as R.2002 d.126, effective April 15, 2002. See: 34 N.J.R. 46(a), 34 N.J.R. 1543(a).

Subchapter 9A, Disbursements Without Vendor Certification, was adopted as R.2003 d.158, effective April 21, 2003. See: 34 N.J.R. 2374(a), 35 N.J.R. 1664(a).

Subchapter 17, Electronic Disbursement Controls for Payroll Purposes, was adopted as R.2003 d.205, effective May 19, 2003. See: 34 N.J.R. 2377(a), 35 N.J.R. 2223(a).

Chapter 30, Local Finance Board, was readopted as R.2003 d.404, effective September 19, 2003. See: Source and Effective Date. See, also, section annotations.

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SUBCHAPTER 1. GENERAL PROVISIONS

5:30-1.1 Rules and regulations

(a) All applications to the Board shall require a hearing before the Board, which shall include an appearance by the applicant at the time the application is heard. The chair or the Board may waive such appearance if it is found in the interest of the Board or the applicant to do so.

(b) The Local Finance Board shall meet on the second Wednesday of each month of the calendar year at its office, 101 South Broad Street, Trenton, New Jersey at the date and time specified in each notice of public meeting issued by the Board. Further, the business that would otherwise be handled at the regular meetings required pursuant to N.J.S.A. 52:27BB-13 shall be considered at the next following meeting scheduled pursuant to this subsection.

(c) The Board shall also meet at the call of the chair by notice in writing or via facsimile at such time and place as shall be specified in said notice. The Board, in its discretion, may agree to meet upon the receipt of a telephone request from the chair or any member thereof to transact any business which may properly come before it. The members of the Board may be considered in attendance at a meeting by using telecommunications equipment as permitted by the Open Public Meetings Act.

(d) The board shall meet as a municipal finance commission in those municipalities in which it functions and all other actions shall be taken as the Local Finance Board.

(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) 292-4537, or by e-mail at dlgs@dca.state.nj.us.

(f) References in this chapter to the Director or Division shall refer to the Director of the Division of Local Government Services, or to the Division of Local Government Services, as appropriate.

Amended by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Time and place of meetings changed in (b).

Amended by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Rewrote the section.

Amended by R.2003 d.404, effective October 20, 2003.

See: 35 N.J.R. 2427(a), 35 N.J.R. 4862(b).

In (e), inserted "South" following "101" and inserted ", or by e-mail at dlgs@dca.state.nj.us".

Case Notes

Regulations valid as implementing legislative policy; definition of qualitative clarified by regulations. *Twp. of Burlington v. Middle Department Inspection Agency, Inc.*, 175 N.J.Super. 624, 421 A.2d 616 (Law Div.1980).

Advertising requirement valid and constitutional. *Apartment House Council of New Jersey v. Laezza*, 158 N.J.Super. 204, 385 A.2d 936 (App.Div.1978).

Tenants Property Tax Rebate Act constitutional; regulatory scheme adopted. *Cold Indian Springs Corp. v. Twp. of Ocean*, 154 N.J.Super. 75, 380 A.2d 1178 (Law Div.1977), affirmed 161 N.J.Super. 586, 392 A.2d 175 (App.Div.1978), affirmed 81 N.J. 502, 410 A.2d 652 (1980).

5:30-1.2 Duties

The Local Finance Board studies the entire field of local government in New Jersey, and promulgates reasonable rules and regulations for the interpretation and administration of State laws included within the jurisdiction of the division.

5:30-1.3 Hearings

(a) The Local Finance Board holds hearings when required by law, and also when it determines that interested persons should be given an opportunity to be heard.

(b) Hearings to appeal a determination or action of the Director pursuant to N.J.S.A. 52:27BB-15 shall be held upon receipt of a written request filed with the chair or executive secretary and which include an explanation of the determination or action of the Director which is being appealed, the nature of and reason for the appeal, and supporting documentation as may be requested by the Board.

Amended by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Rewrote (b).

5:30-1.4 Vote

(a) In the case of a vote on any appeal from a determination of the Director, the Director shall disqualify himself or herself from a vote, but shall preside at the hearing on the appeal. A vote of a majority of the whole board, namely, five votes, shall be required in determining whether any appeal from any action of the Director shall be sustained or reserved.

(b) In the case of a vote on any other matter heard before the board, a majority of the vote of the whole board, including that of the director, shall be required.

Amended by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Majority of the Board changed from three to five.

5:30-1.5 Advice to director

The Local Finance Board shall advise the director concerning the administration of the division, the exercise of his powers, and the problems of local government.

5:30-1.6 Determinations

The board may, if it so elects, direct that hearings under the foregoing shall be held by a member thereof, but all determinations shall be made by a majority of the full board.

5:30-1.7 Forms; general provisions

All forms required to be filed with the Local Finance Board or Division of Local Government Services, such as statements, applications and reports shall be filed on forms (or approved facsimiles) approved by the Board or the Director of the Division of Local Government Services, certified as to their accuracy by an appropriate official and in accordance with the instructions relating to each. Forms are available upon request to the Local Finance Board or the Division of Local Government Services.

Amended by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Text on implementation of the Housing and Community Development Act of 1974 repealed; text on forms added.

5:30-1.8 Use of Local Finance Notices

(a) When necessary for the day-to-day administration of the responsibilities of the Board and the Division, the Director may issue such communications and directives as necessary to local units subject to the oversight of the Board and Division. Such communications and directives shall be known as Local Finance Notices (Notices).

(b) Local Finance Notices shall be sent by mail or made available by electronic means to those officers or individuals affected by the Notice, as determined necessary by the Director, at no charge. Individual copies may be obtained for no charge from the Division, and all Notices shall be posted on the Division's web site. Annual mail subscriptions for all Notices shall be available for an annual fee of \$50.00. Receiving e-mail notification of publication of a Notice by e-mail shall be available to any person at no charge.

(c) Local Finance Notices shall be numbered in a scheme as determined necessary from time-to-time by the Director. A public notice in the New Jersey Register announcing its release and a summary of its contents shall follow the issuance of each notice.

New Rule, R.2003 d.31, effective January 21, 2003.

See: 34 N.J.R. 2632(a), 35 N.J.R. 396(a).

5:30-1.9 Use of electronic communications networks

(a) Where practicable, the Division and Board shall provide notices, information, and copies of forms to the public through a World Wide Web site maintained by the Division. While subject to change, the web site is found at <http://www.state.nj.us/dca/lgs.htm>. As an alternate, users may access the Division's information at the State's home page at www.state.nj.us and then use appropriate links to find the Department of Community Affairs or Division of Local Government Services.

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.1998 d.307, effective June 15, 1998.
See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).
Rewrote the section.

5:30-6.6 (Reserved)

Repealed by R.1998 d.307, effective June 15, 1998.
See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).
Section was "Enforcement of State statutes".

5:30-6.7 (Reserved)

Repealed by R.1998 d.307, effective June 15, 1998.
See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).
Section was "Capital projects financed by capital improvement fund, capital surplus or other capital reserves".

5:30-6.8 through 5:30-6.11 (Reserved)

As amended, R.1979 d.16, eff. January 17, 1979.
See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

SUBCHAPTER 7. MUNICIPAL BUDGET LOCAL EXAMINATION AND APPROVAL

5:30-7.1 Authority

(a) Pursuant to N.J.S.A. 40A:4-78, the Local Finance Board is empowered to adopt criteria relating to municipal exemption from the Director's examination of the annual budget.

(b) This subchapter is to ensure that municipalities participating in the program are financially sound and the temporary elimination of the Director's review of the budget will not expose the municipality to evidence financial risk.

5:30-7.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

"Annual budget" or "budget" means the annual budget of the municipality as described in the Local Budget Law.

"Comptroller function" means conduct of government accounting and transactions.

"Director" means the Director of the Division of Local Government Services.

"Division" means the Division of Local Government Services.

"Local Budget Law" means the provisions of N.J.S.A. 40A:4-1 et seq.

"Local examination" or "locally examine" means:

1. The procedure set forth in N.J.S.A. 40A:4-78(b) and this subchapter that permits municipal officials to examine and approve the annual budget pursuant to N.J.S.A. 40:4-76 through 4-79 in lieu of the Director; and

2. The annual budget has been adopted in accordance with all other provisions of law, including, but not limited to, the "Local Budget Law," (N.J.S.A. 40A:4-1 et seq.) and the regulations of the Local Finance Board.

"Local examination certification" or "local examination certificate" means the form provided by the Director and executed by the governing body and chief financial officer certifying that the adopted budget has been locally examined.

"Reporting year pool" means the group of municipalities considered by the Director for local examination in a given year.

5:30-7.3 Local examination process

(a) Each year the chief financial officer of each municipality shall certify its local examination status to the Division as part of its annual financial statement.

(b) Subject to the criteria in this subchapter, each municipality may locally examine their budget in any two of every three consecutive years.

(c) In every municipality participating in the local examination process, the governing body and chief financial officer shall ensure that the annual budget has been locally examined.

(d) In order to conduct a local examination, the municipality must be advised by the Director that it meets the eligibility criteria in N.J.A.C. 5:30-7.4, and then qualify for local examination by certifying that it meets the criteria in N.J.A.C. 5:30-7.5.

(e) A municipality conducting a local examination shall file copies of the annual financial statement, annual debt statement, introduced and adopted budget, amendments, certifications, and other documents required to be filed with the Director, as required by law and rule, as if the budget were to be examined by the Director.

(f) By resolution of the governing body, any municipality that qualifies for local examination may choose to have its budget examined by the Director and not participate in the local examination process that year.

5:30-7.4 Eligibility for local examination

(a) Upon adoption of this rule, the Director shall randomly assign each municipality to one of three reporting year pools. Each pool shall be assigned the years in which the budget shall be considered for local examination.

1. For calendar fiscal year 1997 budgets, the Director shall notify municipalities of their status as soon as practicable.

2. In subsequent years, within 30 days after the start of each fiscal year, the Director shall determine and notify all municipalities if they are eligible or ineligible for local examination for the fiscal year.

(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;
2. Qualify for municipal (urban) aid pursuant to N.J.S.A. 52:27D-178 et seq.;
3. Received Supplemental Municipal Property Tax Relief Discretionary (N.J.S.A. 52:27D-118.35) funds in the previous fiscal year;
4. Were subject to a Division field audit that produced negative findings in the previous fiscal year;
5. Are currently or during the previous year were under any form of Local Finance Board supervision pursuant to N.J.S.A. 52:27BB-1 et seq.;
6. Sold its tax levy if permitted by statute in the previous year;
7. The Director's subsequent review of the previous year's locally examined adopted budget shows that the budget failed to meet the requirements of local examination. Such a finding shall disqualify a municipality from local examination for the following three years; or
8. If, in the opinion of the Director, the fiscal integrity or solvency of the municipality will be jeopardized by local examination.

(c) At the initiative of the Director, the criteria in (b) above may be waived if the Director determines the fiscal integrity or solvency of the municipality shall not be jeopardized by local examination. Requests for waivers by a municipality shall not be considered by the Director.

5:30-7.5 Qualifying for budget local examination

(a) If determined to be eligible for local examination, the chief financial officer shall determine if the municipality meets all of the following criteria:

1. The outstanding indebtedness of the previous fiscal year is not in excess of 3.5 percent;

2. All emergencies approved for the previous fiscal year did not exceed three percent of total appropriations;

3. The tax collection rate exceeded 90 percent;

4. Total deferred charges did not equal or exceed four percent of the total tax levy;

5. There were no "agreed upon procedural deficiencies" not performed by the registered municipal accountant and noted on Sheet 1a of the Annual Financial Statement;

6. There was no operating deficit for the previous fiscal year;

7. The municipality did not conduct an accelerated tax sale for less than three consecutive years;

8. The municipality did not conduct a tax levy sale the previous fiscal year and does not plan to conduct one in the current year;

9. The current year budget does not contain a budget cap waiver, per N.J.S.A. 40A:4-45.3(ee); and

10. The municipality will not apply for Extraordinary Municipal Aid (N.J.S.A. 52:27D-118.35) in the current year.

(b) The chief financial officer shall record the determination on a form, prepared by the Director as part of the annual financial statement, and provide a copy of the form to the governing body. Prior to introduction of the budget, if the governing body chooses not to locally examine the budget, it shall pass a resolution to that effect and immediately forward it to the Director.

(c) If all of the criteria in (a) above are met, and the governing body does not elect to have the Director examine the budget, the municipality shall locally examine its budget.

(d) If the municipality fails to meet any of the criteria in (a) above, the Director shall examine the budget for that year.

Amended by R.2003 d.404, effective October 20, 2003.

See: 35 N.J.R. 2427(a), 35 N.J.R. 4862(b).

In (a), added 7 through 10.

5:30-7.6 Completion of local examination

(a) Prior to adoption of the budget, the governing body and the chief financial officer shall examine the budget for the following:

1. That with reference to the following items, the amounts have been calculated pursuant to law and appropriated as such in the budget:

- i. Payment of interest and debt redemption charges;
- ii. Deferred charges and statutory expenditures;
- iii. Cash deficit of preceding year;

- iv. Reserve for uncollected taxes;
- v. Other reserves and non-disbursement items; and
- vi. Any inclusions of amounts required for school purposes;

2. That the provisions relating to limitation on increases of appropriations at N.J.S.A. 40A:4-45.2 and appropriations for exceptions to limits on appropriations found at N.J.S.A. 40A:4-45.3 et seq., are fully met;

3. That the budget is in such form, arrangement and content as required by the Local Budget Law and N.J.A.C. 5:30-4 and 5;

4. That, pursuant to the Local Budget Law:

- i. All estimates of revenue are reasonable, accurate and correctly stated;
- ii. Items of appropriation are properly set forth; and
- iii. By itemization, form, arrangement, and content, the budget will permit the exercise of the comptroller function within the municipality;

5. That the budget and associated amendments have been introduced, publicly advertised, and adopted in accordance with the relevant provisions of the Local Budget Law, except that failure to meet the deadlines of N.J.S.A. 40A:4-5 shall not prevent such certification; and

6. That all other applicable statutory requirements have been fulfilled.

(b) If the chief financial officer and governing body find that the budget meets the requirements of (a) above, they shall execute the local examination certificate. The chief financial officer shall execute the local examination certificate by signature. The governing body shall execute the certification by passage of a resolution by a not less than a majority of the full membership of the governing body. No locally examined budget shall be adopted unless the local examination certificate has been approved by the chief financial officer and governing body.

(c) A local examination certificate signatory who has reason to believe that any part(s) of the budget may not meet all the requirements of local examination may execute a local examination certificate and take exception to any part(s) of the budget. Such exceptions shall be specific and itemized on the form. The form shall be forwarded to the Director immediately upon execution, and the budget shall not be adopted until the Director makes a determination on the exceptions and directs the governing body to act as the Director determines to be appropriate.

(d) Failure of the governing body or the chief financial officer to execute the local examination certification shall result in the Director examining the budget in full. No budget adoption shall be valid unless all procedures of this subchapter have been followed in their entirety.

(e) Upon adoption of the budget, the municipal clerk shall include the local examination certification with the adopted budget sent to the Director pursuant to N.J.S.A. 40A:4-10.

(f) The local examination certificate shall be subject to acceptance by the Director. Acceptance shall be signified by the Director certifying the amount to be raised by taxation to the county board of taxation.

5:30-7.7 Revocation of qualification

(a) The Director may revoke qualification for local examination and assume responsibility for examination if:

- 1. After notice by the Director, the governing body fails to introduce or adopt the budget on a timely basis;
- 2. The municipality applies for a budget cap waiver pursuant to N.J.S.A. 40A:4-45.3(ee); or
- 3. If the introduced budget or subsequent amendments include the sale of a property tax levy if permitted by statute in the previous year.

SUBCHAPTER 8. FINANCIAL ADMINISTRATION

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

(a) 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 after June 1, 1998 shall ensure that they meet the following requirements:

i. Transaction recording and reporting elements shall provide audit trails and reports that meet generally accepted government accounting standards, and meet requirements of audit, Technical Accounting Directives and all relevant provisions of the Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.).

ii. For property tax accounting systems, the vendor or system owner, and the local unit's certified tax collector, shall certify that they have tested and found that any automated calculation of interest or penalty meets the appropriate requirements of N.J.S.A. 54:4-1 et seq. and any local ordinance or resolution related thereto.

iii. For revenue accounting systems, the vendor or system owner, and the local unit chief financial officer, shall certify that they have tested and found that any automated calculation of billing, amount due, interest, or penalty meets the requirements of any statute or

local unit ordinance or resolution for those revenues maintained by the system.

2. Each local unit shall adopt and maintain appropriate internal control practices related to password or other security controls to ensure integrity of transactions, creating and maintaining back-up files, and documentation of system operations.

3. All systems and services shall be capable of handling transactions, making calculations, storing dates, and properly operating as of, or with information dated on or after, January 1, 2000, on the following timetable: local units operating on a calendar fiscal year, as of December 31, 1998, and local units operating on any other fiscal year, by June 30, 1998. Local units shall obtain vendor certifications, perform tests, or take other appropriate action to ensure these deadlines are met.

4. The requirements of this section shall be subject to review by the local unit auditor as part of the annual review of internal controls. Failure of a local unit to comply with (a)3 above shall be noted in the general comments and recommendations section of the annual audit.

Repealed by R.1979 d.16, effective January 17, 1979.
See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

Text on uniform systems of accounting repealed.
Recodified by R.1990 d.383, effective August 6, 1990.
See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Text on mechanical and data processing accounting recodified from 8.6.

Repeal and New Rule, R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Section was "Mechanical and data processing accounting".

5:30-8.2 (Reserved)

R.1977 d.81, eff. March 10, 1977.

See: 9 N.J.R. 165(a).

Repealed by R.1979 d.16, effective January 17, 1979.

See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

Text on rules and regulations repealed.

Recodified by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Text on unbudgeted school aid refunds recodified from 8.9.

Repealed by R.1992 d.426, effective October 19, 1992.

See: 24 N.J.R. 2766(a), 24 N.J.R. 3723(c).

Text on unbudgeted school aid refunds per P.L. 1977 c.15 repealed.

5:30-8.3 Minimum surety bond coverage for tax collectors

(a) Each tax collector and collector of utility rents shall be bonded with a surety bond calculated as follows:

1. The minimum requirement for the surety bond of each tax collector shall be such percentage of the preceding year's tax duplicate as is required by the schedule set forth in this subsection.

2. The minimum requirement for the surety bond of each collector of utility rents shall be such percentage of the preceding year's utility charges as is required by the schedule set forth in this subsection.

3. Tax Levy or Utility Charges Minimum Bond Required

Up to \$100,000	25% of the Levy
\$100,000 to \$250,000	\$25,000 + 8% of all over \$100,000
\$250,000 to \$500,000	\$37,000 + 6% of all over \$250,000
\$500,000 to \$750,000	\$52,000 + 4% of all over \$500,000
\$750,000 to \$1,000,000	\$62,000 + 2% of all over \$750,000
\$1,000,000 to \$2,000,000	\$67,000 + 1% of all over \$1,000,000
\$2,000,000 to \$5,000,000	\$77,000 + $\frac{1}{2}$ % of all over \$2,000,000
\$5,000,000 and upwards	\$92,000 + $\frac{1}{4}$ % of all over \$5,000,000

4. Local units are encouraged to utilize the following recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds:

Up to \$200,000	25% of the Levy
\$200,000 to \$350,000	\$50,000 + 8% of all over \$200,000
\$350,000 to \$500,000	\$62,000 + 6% of all over \$350,000
\$500,000 to \$1,000,000	\$71,000 + 4% of all over \$500,000
\$1,000,000 to \$2,500,000	\$91,000 + 2% of all over \$1,000,000
\$2,500,000 to \$5,000,000	\$121,000 + 1% of all over \$2,500,000
\$5,000,000 and upwards	\$146,000 + $\frac{1}{2}$ % of all over \$5,000,000

(b) The following additional provisions shall apply to such surety bonds:

1. In fixing such minimum bond, the nearest even \$1,000 shall be used.

2. When the collector of taxes and the collector of utility charges is the same person, the minimum surety bond coverage shall be computed separately. The required amounts shall be combined in a single surety bond.

3. The minimum coverage arrived at by use of the foregoing schedule shall be an overall minimum amount where there is more than one person in the office. The several persons handling funds should be bonded in accordance with their responsibility.

4. In any case where a municipality desires to substitute for the foregoing method any other method which it deems satisfactory and which complies with the provisions of the existing statutes, such substituted procedure, shall, if approved by the Local Finance Board, be deemed to comply with this chapter.

Repealed by R.1979 d.16, effective January 17, 1979.

See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

Text on books and forms repealed.

New Rule R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Amended by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Rewrote the section.

5:30-8.4 Minimum surety bond requirements for municipal courts

(a) Every municipal court judge and municipal court administrator shall be bonded with a surety bond in a minimum amount in accordance with the following schedule:

<u>Total Annual Receipts</u>	<u>Minimum Bond Required</u>
\$1 to \$5,000	\$2,000
\$5,000 to \$10,000	\$2,000 + 30% of all over \$5,000
\$10,000 to \$20,000	\$3,500 + 25% of all over \$10,000
\$20,000 to \$50,000	\$6,000 + 15% of all over \$20,000
\$50,000 to \$100,000	\$10,500 + 12% of all over \$50,000
\$100,000 to \$200,000	\$16,500 + 8% of all over \$100,000
\$200,000 to \$500,000	\$24,500 + 5% of all over \$200,000
\$500,000 to \$1,000,000	\$39,500 + 2% of all over \$500,000
\$1,000,000 and up	\$49,500 + 1% of all over \$1,000,000

(b) Local units are encouraged to utilize the following recommended amounts in lieu of the minimum amount in order to provide a higher level of security of public funds.

\$1 to \$10,000	\$2,500
\$10,000 to \$25,000	\$2,500 + 30% of all over \$10,000
\$25,000 to \$50,000	\$5,500 + 25% of all over \$25,000
\$50,000 to \$100,000	\$11,750 + 15% of all over \$50,000
\$100,000 to \$200,000	\$19,250 + 12% of all over \$100,000
\$200,000 to \$500,000	\$31,250 + 8% of all over \$200,000
\$500,000 to \$1,000,000	\$47,250 + 5% of all over \$500,000
\$1,000,000 and up	\$72,250 + 2% of all over \$1,000,000

(c) The municipal judge and the municipal court administrator shall be bonded in such amount as may be deemed appropriate and adequate under the circumstances, the amount, including all assistants, to be not less than the minimum referred to in (a) above, and in every case where the minimum requirement applies, based on the volume of annual transactions, the municipal judge and the municipal court administrator shall be bonded in the amount of not less than \$1,000 each.

(d) In those cases where the minimum requirement, based on the volume of business of the Court, calls for an amount in excess of \$2,000, it may be appropriate to bond the municipal court judge and municipal court administrator, as the case may be, in an amount which shall be above the \$1,000 minimum required by statute to the nearest \$500.00 above said minimum.

(e) The municipal governing body may allocate the amount of the coverage as between the municipal judge, municipal court administrator, and other employees, in accordance with the financial responsibility of each officer with due regard to the \$1,000 minimum for each individual.

(f) There shall be a recomputation as to the minimum bond requirement annually and if the bond presently in force is less than the minimum required by the above schedule, the bond shall be increased.

(g) In all cases, however, a new bond shall be obtained at least every three years, coinciding with the term of office of the municipal court judge.

Repealed by R.1979 d.16, effective January 17, 1979.
See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

Text on installation of systems repealed.
New Rule R.1990 d.383, effective August 6, 1990.
See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).
Amended by R.1998 d.307, effective June 15, 1998.
See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).
Rewrote the section.

5:30-8.5 Guidelines concerning receipt and custody of public funds

(a) No officer of a local unit shall accept in receipt of the payment of any license, fee or other charge, a check in excess of the amount actually due.

(b) Under no circumstances shall said officer engage in the practice of cashing checks with public funds.

Repealed by R.1979 d.16, effective January 17, 1979.

See: 10 N.J.R. 529(a), 11 N.J.R. 59(a).

Text on instruction and consultation repealed.

New Rule R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Amended by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Deleted former (c).

Amended by R.2003 d.404, effective October 20, 2003.

See: 35 N.J.R. 2427(a), 35 N.J.R. 4862(b).

In (a), deleted "tax," preceding "license".

5:30-8.6 (Reserved)

Recodified by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b).

Text on mechanical and data processing accounting recodified to 8.1.

New Rule R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Repealed by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Section was "Signatures on checks drawn upon the treasury of the local unit".

5:30-8.7 Notice of occurrences

It is the duty and responsibility of the chief financial officer to advise the Division of Local Government Services and the Department of Education, as appropriate, in any case where there might be a prospective default in the payment of principal or interest of any of the local unit's debt obligations.

Repealed by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Text on tax bill receipting machine repealed.

New Rule R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Amended by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Rewrote the section.

5:30-8.8 (Reserved)

Repealed by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Text on tax collector's course repealed.

New Rule R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Repealed by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Section was "Implementation of the Housing and Community Development Act of 1974".

5:30-8.9 (Reserved)

Recodified by R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Text on unbudgeted school aid refunds recodified to 8.2.

New Rule R.1990 d.383, effective August 6, 1990.

See: 22 N.J.R. 706(b), 22 N.J.R. 2276(b).

Repealed by R.1998 d.307, effective June 15, 1998.

See: 30 N.J.R. 1123(a), 30 N.J.R. 2204(b).

Section was "Implementation of the Housing and Community Development Act of 1974; urban counties".

5:30-8.10 Acceptance of third party financial organization payments

When authorized through bona fide "bank-by-phone" systems, local units are permitted to accept check based payments made by banks or other financial organizations on behalf of individual persons when authorized by such persons and when such transactions provide payor information.

New Rule, R.1997 d.147, effective March 17, 1997.

See: 29 N.J.R. 4(a), 29 N.J.R. 872(a).

SUBCHAPTER 9. GOVERNMENT ELECTRONIC RECEIPT ACCEPTANCE

5:30-9.1 Purpose and authority

(a) This subchapter includes rules and guidance for local government units to utilize credit cards, debit cards, and electronic fund transfer mechanism as means of collecting local unit obligations.

(b) The rules are authorized pursuant to section 5 of P.L. 1995, c.325 (N.J.S.A. 40A:5-43 et seq.), the Government Electronic Payment Acceptance Act.

(c) While the title of the legislation refers to "electronic payment," these rules utilize the phrase "electronic receipt," as the use of "payment" could be confused with the ability of a local government unit to pay its own obligations electronically, a procedure not authorized by law.

5:30-9.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

"Bulk receipt" means a single deposit by a single party that represents multiple transactions.

"Card issuer" means any organization or association that issues or licenses others to issue any credit card or debit card.

"Credit card" means any instrument or device linked to an established line of credit, whether known as a credit card, charge card, credit plate, or by any other name, issued with or without fee by an issuer for the use of the cardholder in satisfying outstanding financial obligations, obtaining money, goods, services, or anything else of value on credit.

"Debit card" means any instrument or device, whether known as a debit card, automated teller machine card, or by any other name, issued with or without fee by an issuer for the use of the cardholder in obtaining money, goods, services, or anything else of value through the electronic authorization of a financial institution to debit the cardholder's account.

"Director" means the director of the Division of Local Government Services.

"Electronic funds transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

"Electronic receipt" means any receipt transaction made through the use of a credit card, debit card, or electronic funds transfer.

"Local unit" means any unit of government subject to the provisions of chapters 5 or 5A of Title 40A of the New Jersey Statutes, and the constituent parts of those units, including, but not limited to, independent local authorities, public libraries, municipal courts and joint municipal courts.

"Local unit obligations" means any local unit tax, charge, fee, penalty, fine, assessments, service or utility charge, payment transactions by the public for goods or services, except for credit card payment of delinquent local unit obligations or for the redemption of local unit liens.

"Payor identification" means information, such as an account number, property block and lot number, or other identifying characteristic, used to sufficiently identify the purpose of the receipt and person or organization using electronic receipt to pay a local unit obligation.

"Processor" means any organization with whom the local unit contracts to process or make electronic receipt transactions.

5:30-9.3 General grant of authority

(a) Local units may enter into agreements with processors to utilize electronic receipts as an alternative to acceptance of cash and checks as receipt for local unit obligations.

(b) Authorization of the local unit obligations that shall be accepted as electronic receipts shall be made by resolution of the governing body of the local unit. The resolution shall specify both the types of local unit obligations approved for electronic receipt, and the types of electronic receipt that shall be permitted.

“GovConnect” means the electronic network established by the State that permits the conduct of official business by and between agencies of government and covered local officials.

“Covered local official” means those positions required to participate in the GovConnect initiative (see N.J.A.C. 5:30-16.2(c)).

5:30-16.2 GovConnect

(a) GovConnect is an electronic government initiative that uses the Internet and advanced communication technologies for the conduct of official business between agencies and local government officials. Use of GovConnect will improve the efficiency, effectiveness and productivity of government business. GovConnect is expected to reduce the cost to local units of dealing with State agencies.

(b) Pursuant to (c) below, the covered local officials must register in their official capacity with the GovConnect website (<http://mynewjersey.state.nj.us/>) by the date shown herein. Additionally, these individuals must have Internet access for the conduct of local unit business. Registration means being enrolled as an authorized user of the GovConnect system. Covered local officials will receive information from the Division of Local Government Services on how to register on the system.

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

1. Chief financial officer of a municipality: April 30, 2002.
2. Chief financial officer of a county: April 30, 2002.
3. Municipal Clerk: April 30, 2002.
4. Clerk to the County Board of Chosen Freeholders: April 30, 2002.
5. Tax collectors of a municipality: November 30, 2002.

Amended by R.2003 d.34, effective January 21, 2003.

See: 34 N.J.R. 2915(a), 35 N.J.R. 397(b).

In (c), added 5.

5:30-16.3 Grants

Local units whose covered local officials do not have access to an Internet capable computer, service with an Internet service provider, or are in need of appropriate computer and Internet training, may be eligible for grants of up to \$1,500 from the Division. The grants will be provided to eligible municipalities and counties for the purchase of computer hardware and software necessary to access the GovConnect website. Appropriate training costs and Internet access subscription costs may also be defrayed through the grant. Information on grants can be obtained on the Division’s website at www.state.nj.us/dca/lgs/egg, by contacting the Division at (609) 943-4724 or by writing to the

Director of the Division of Local Government Services, PO Box 803, Trenton, NJ 08625-0803.

SUBCHAPTER 17. ELECTRONIC DISBURSEMENT CONTROLS FOR PAYROLL PURPOSES

5:30-17.1 Purpose

This subchapter sets forth standards for local governments to follow when contracting with an organization to make disbursements on the local unit’s behalf, as permitted by N.J.S.A. 52:27D-20.1. The subchapter is intended to ensure that local units understand the risks associated with electronic disbursements and implement sound fiscal and control practices governing such disbursements. This subchapter is limited in application to third-party preparations and calculations for and the disbursement of salaries and wages, all withholdings, and additional related liabilities.

5:30-17.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Chief financial officer” or “CFO” means the individual statutorily responsible for supervising the accounts and finances of a local unit and shall include any certifying and approval officer appointed pursuant to N.J.S.A. 40A:5-17(a), any individual appointed in accordance with N.J.S.A. 18A:19-4.1, or such individual in similar capacity legally appointed by the governing body of a local unit.

“Contract” means any written agreement entered into by a local unit and a disbursing organization for the purposes authorized in these rules.

“Dedicated cash account” means a demand deposit bank account owned by the local unit and funded solely for use by a disbursing organization in performing its duties and responsibilities in accordance with the contract.

“Disbursement” means any payment of moneys, including any transfer of funds, by any means, to the dedicated cash account established for use by a disbursing organization.

“Governing body” means the board, commission, council or other body having control of the finances of the local unit. In those local units in which a chief executive officer is authorized by law to participate in such control through powers of recommendation, approval or veto, the term includes such chief executive officer to the extent of such participation.

“Local unit” means a municipality, county, school district, authority subject to the “Local Authorities Fiscal Control

Law,” P.L. 1983, c.313 (N.J.S.A. 40A:5A-1 et seq.), or a school district as defined in N.J.S.A. 18A:18A-2(d).

“Payment documentation” includes transmittals, remittance forms, tax returns, releases, filings, reports, and tapes supporting the disbursement of funds.

“Payroll” means the object and result of all preparations and calculations for, and the disbursement of salaries and wages, all withholdings therefrom, and additional liabilities related thereto.

“Third-party disbursement service organization or disbursing organization” means an organization engaged either directly or indirectly to perform any of the services indicated in these rules.

“Third-party disbursement service” means such service or services of the type described in these rules. Such service or services may include the processing and disbursing of payroll and payroll agency obligations.

“Transaction” means any activity that, in accordance with sound fiscal practices, affects the general books of entry, ledgers, records, or logs of a local unit.

5:30-17.3 Authorization to use a third-party disbursement service organization for payroll

(a) The governing body of a local unit may enact policies for contracting with a disbursing organization to process payroll disbursements on its behalf. Such policies shall be formally authorized by ordinance or resolution of the governing body, as appropriate to the form of government and shall specify the tasks that may be performed by a disbursing organization. Such policies may involve the use of a disbursing organization:

1. To prepare the necessary payment documentation and execute disbursements from the local unit’s bank account on behalf of the local unit;
2. To prepare payment documentation, take possession of local unit funds, and make such disbursements itself on behalf of a local unit; or
3. Any combination of (a)1 and 2 above.

(b) This subchapter applies to disbursing organizations and local units who contract with one another for the determination and disbursement of payroll and related funds.

1. The following service providers are not required to comply with this subchapter:
 - i. Payroll service providers that perform payroll calculations and do not control the disbursement of payroll funds; and

- ii. Tax pay and file service providers that are certified users of the Electronic Federal Tax Payment System (EFTPS) batch filer program and the State of New Jersey EFTPS batch filer program, that do not release, transfer or otherwise execute disbursements of the local unit.

2. The following service providers are required to comply with this subchapter:

- i. Payroll service providers who use their own customized programming process to execute disbursements for the local unit; and
- ii. Payroll service providers who use a third party processor to execute disbursement for the local unit.

5:30-17.4 Local unit requirements

(a) Local units shall meet the following terms and conditions prior to executing contracts with disbursing organizations:

1. Prior to the execution of a contract with a disbursing organization, the governing body shall approve the use of disbursing organizations for the payment of claims pursuant to N.J.A.C. 5:30-17.3(a). Such approval shall describe those tasks to be performed by a disbursing organization to meet the governing body’s objectives, including specific authorization to use electronic means for the disbursing of funds. Permissible tasks can include and are not limited to data collection, agency report preparation, calculation of withholding, direct deposit of payroll disbursements, or local unit transfer of funds to disbursing organization’s account for subsequent payment.

- i. The governing body shall, by resolution, approve any renewal or extension of a contract under this subchapter.

2. Pursuant to N.J.S.A. 40A:5-17(a)(1) or 18A:19-4.1, the governing body shall designate an approval officer to be responsible for authorizing and supervising the activities of the disbursing organization. For authorities operating under N.J.A.C. 5:31-4.1, the governing body shall designate an approval officer to authorize and oversee the activities of disbursing organizations.

- i. The governing body shall supplement the duties of the approval officer established in accordance with N.J.S.A. 40A:5-17(a)(2) and 18A:19-4.1 to include the reconciliation and analysis of all general ledger accounts affected by the activities of the disbursing organization.

- ii. If the terms of the contract between the disbursing organization and the local unit provide that the disbursing organization will hold funds of the local unit pending transmittal of those funds to a payee, the governing body must specifically authorize the disbursing organization to hold the funds pending transmittal.

iii. The governing body shall require the disbursing organization to provide the governing body with notification in the event:

(1) The disbursing organization detects irregularities that may indicate potential fraud, noncompliance with appropriate laws, dishonesty, or gross incompetence on the part of the approval officer; or

(2) The disbursing organization experiences circumstances that could jeopardize its ability to continue operations or otherwise interrupt the services provided to the local unit.

iv. A transfer of local unit funds between local unit accounts, to a dedicated cash account or to an account owned or controlled by a disbursing organization shall be deemed a disbursement subject to the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., and is to be treated as in compliance with N.J.S.A. 18A:19-9 for school payrolls.

3. After the governing body has initially approved the use of disbursing organizations pursuant to N.J.A.C. 5:30-17.3 and (a) above, the CFO shall qualify disbursing organizations pursuant to the requirements of N.J.A.C. 5:30-17.5.

i. Prior to the execution of any contract for the provision of third-party disbursement services, the contract shall be reviewed and approved by the CFO of the local unit as to terms, including satisfaction of the requirements of N.J.A.C. 5:30-17.5 and 17.6

ii. Prior to the extension or renewal of a contract, the CFO shall complete a review of the services rendered under the contract. Such review shall be conducted in compliance with N.J.A.C. 5:30-17.5.

5:30-17.5 Eligibility requirements for disbursing organizations

(a) Disbursing organizations shall meet the following conditions and/or requirements:

1. The disbursing organization shall provide evidence of satisfactory internal control, evidence of which shall be required by the CFO. Such evidence may be:

i. The disbursing organization's Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness, performed pursuant to AICPA (American Institute of Certified Public Accountants) Statement on Auditing Standards No. 70;

ii. A completed SysTrust™ examination with an unqualified report on Availability, Security, Integrity and Maintainability completed in accordance with AICPA/CICA (Canadian Institute of Chartered Accountants) SysTrust™ Principles and Criteria for Systems Reliability; or

iii. Evidence of compliance with a mutually agreed upon external standard for determination of the suffi-

ciency of a system of internal controls that support the work to be performed in accordance with the policies established by the local unit.

2. All disbursing organizations shall have offices within a distance acceptable to the CFO of the local unit such that the physical delivery and receipt of documents and records can occur in a manner that assures the delivery of paychecks on regularly scheduled paydays.

5:30-17.6 Contract terms and conditions

(a) All contracts between a local unit and disbursing organization shall:

1. Contain adequate provisions to indemnify the local unit against any losses incurred as a result of the actions or inactions of the disbursing organization;

2. Require the disbursing organization to be responsible for the errors and omissions of its employees or agents, particularly where those errors and omissions prevent timely disbursements on behalf of the local unit from being made, including penalties, fines, interest, and damages; and

3. In those cases where the disbursing organization takes possession of local unit funds, require adequate insurance to cover such losses as may arise as a result of errors, omissions, failure to perform or dishonesty in amounts at least equal to the highest level of exposure to the local unit for 30 days. Such exposure as regards cash shall be based on at least the amount of money accessible by the disbursing organization during said 30-day period and shall not include moneys that the disbursing organization cannot divert to its own benefit.

(b) All disbursing organizations shall have a written complaint procedure in existence. At a minimum, the complaint procedure shall require that a complaint log be maintained, which shall be available to the local unit for inspection.

(c) Upon reasonable notice, the disbursing organization shall allow an independent auditor compensated by the local unit to examine its internal controls applying SAS 70 standards, SysTrust™ standards or other standards and procedures mutually agreed upon to ensure accurate, complete and timely work product. Upon completion, the independent auditor's report shall be provided to the CFO and governing body and shall be for internal use only.

(d) All disputes between the parties and disputes concerning the contract or its operation shall be in writing and forwarded to the other party via registered mail. All contracts shall have appropriate provisions for:

1. Dispute resolution between the parties;

2. The service of process to the disbursing organization in New Jersey; and

3. Application of New Jersey law.

(e) Within five working days of each disbursement on behalf of a local unit, the disbursing organization shall provide to the CFO, reports and documentation supporting the disbursements. The contract shall also specify the information required by the local unit to enable it to reconcile its books and records.

(f) All corrections and adjustments must be completed and provided to the local unit promptly. All adjustments and reports of adjustments resulting in disbursements must be reported consistent with the provisions of (e) above.

(g) Copies of notices, memoranda, complaints or other correspondence received by the disbursing organization regarding local unit accounts shall be forwarded to the local unit within 48 hours of receipt.

(h) Contracts for third-party disbursement services are not data processing service contracts under N.J.S.A. 40A:11-15(5) and 18A:18A-42(d).

(i) All contracts for third-party disbursement services shall have appropriate provisions for termination of the contract, including, but not limited to, termination for failure to perform on the part of the disbursing organization.

(j) All contracts entered into between local units and disbursing organizations for the provision of third-party disbursement services shall be in writing and executed by all parties, including intermediaries, such as banks providing payroll services as part of a compensating balance agreement.

(k) The contract for third-party disbursement services must require that no disbursement is made unless the demand for payment meets the requirements of N.J.S.A. 40A:5-16, N.J.S.A. 18A:19-2 and this subchapter.