

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
YEAR ENDED DECEMBER 31, 2015



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

May 13, 2016

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Morris County Municipal Joint Insurance Fund
Parsippany, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Morris County Municipal Joint Insurance Fund for the year ended December 31, 2015, and have issued our report thereon dated May 13, 2016.

As part of our audit, we performed procedures required by the New Jersey Department of Community Affairs, Division of Local Government Services, and the findings and results thereof are disclosed on the following pages. This letter does not affect our report dated May 13, 2016 on the financial statements of the Fund.

Nisivoccia LLP

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
COMMENTS AND RECOMMENDATIONS

Treasurer's Records:

Finding:

During our audit, we noted that the worker's compensation and liability account bank reconciliations contained a number of checks outstanding in excess of a year. The Treasurer has taken steps to eliminate the issue. A formal recommendation is not warranted at this time.

Suggestions to Management:

Membership in the Municipal Excess Liability Residual Claims Fund

The Fund is a member of the Municipal Excess Liability Residual Claims Fund (the "RCF"). In the 2015 Unaudited Financial Statements the RCF experienced a negative change in Net Position of \$1,471,809 to bring the RCF's Net Position to \$2,875,225 at December 31, 2015. The Fund should monitor the operations of the RCF for any continued negative financial performance during 2016 as the RCF's operations affects the Fund's financial position.

Economic Conditions and their Effect on Fund Operations

The prolonged period of low interest rates we are experiencing has negatively affected the Fund's investment yield and Net Position. Investment Income has declined from a high of more than \$900,000 in 2007 to \$123,885 for 2015. In addition, poor economic conditions generally lead to increased claim activity. As a result, the Fund's safety program, underwriting and assessment policies have an increased impact on the operations of the Fund.

Cyber Security

Cyber-crime has become much more prevalent in the last few years. Websites and internal networks, including personally identifiable information ("PII"), have been hacked and resulted in significant losses to organizations, both financial and reputational. We suggest that the Fund consider options to test and protect the Fund from cyber-crime, and encouraging members to review and test their own cyber security.

Status of Prior Year Comments and Recommendations

Not Applicable.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
SUMMARY OF RECOMMENDATIONS

It is recommended that:

None