

NEW JERSEY MUNICIPAL ENVIRONMENTAL
RISK MANAGEMENT FUND
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE
YEAR ENDED DECEMBER 31, 2015



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May 17, 2016

The Honorable Chairperson and Members
of the Executive Committee
New Jersey Municipal Environmental
Risk Management 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 New Jersey Municipal Environmental Risk Management Fund for the year ended December 31, 2015, and have issued our report thereon dated May 17, 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 results thereof are disclosed on the following page. This letter does not affect our report dated May 17, 2016 on the financial statements of the Fund.

This report is intended solely for the information and use of the New Jersey Municipal Environmental Risk Management Fund's management and the New Jersey Department of Community Affairs, Division of Local Government Services and Department of Banking and Insurance. However, this report is a matter of public record as its distribution is not limited.

Nisivoccia LLP

NEW JERSEY MUNICIPAL ENVIRONMENTAL RISK MANAGEMENT FUND
COMMENTS AND RECOMMENDATIONS

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Suggestions to Management:

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 \$1,000,000 in 2007 to \$132,818 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.

Fund Deficits

Fund Year 2004 and 2006 are experiencing a Fund Deficit of \$842,372 and \$2,324,052 respectively. It is suggested that management develop a plan to eliminate these deficit balances.

Cyber Security

Cybercrime 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 cybercrime.

Status of Prior Year Comments and Recommendations

There were no recommendations in 2014.

NEW JERSEY MUNICIPAL ENVIRONMENTAL RISK MANAGEMENT FUND
SUMMARY OF RECOMMENDATIONS

There are no current year recommendations.