

*Report of Audit*

*on the*

*Financial Statements*

*of the*

*Division of Correctional Services*

*in the*

*County of Union*  
*New Jersey*

*for the*

*Year Ended*  
*December 31, 2009*



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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Ms. Nicole L. DiRado  
Clerk of the Board  
Board of Chosen Freeholders  
County of Union  
Administration Building  
Elizabeth, New Jersey 07207

RE: DIVISION OF CORRECTIONAL SERVICES  
COUNTY OF UNION, NEW JERSEY  
AUDIT REPORT - YEAR 2009

Dear Ms. DiRado:

Enclosed please find twelve (12) copies of Report of Audit on the Financial Statements of the Division of Correctional Services in the County of Union, New Jersey for the Year Ended December 31, 2009 to be distributed as follows:

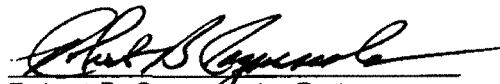
Freeholders	-	Nine Copies
Clerk of the Board	-	Two Copies
Extra	-	One Copy

Under separate cover, we are delivering one copy to the County Manager and two copies to the Director of Finance.

Should you have any questions concerning this report, please do not hesitate to contact us.

Yours very truly,

SUPLEE, CLOONEY & COMPANY

  
Robert B. Cagnassola, Partner

October 28, 2010

RBC:tc  
Encls.

DIVISION OF CORRECTIONAL SERVICES

COUNTY OF UNION

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## INDEPENDENT AUDITOR'S REPORT

Mr. Brian Riordan, Director and  
Honorable Chairman and Members  
of the Board of Chosen Freeholders  
Union County Administration Building  
Elizabethtown Plaza  
County of Union  
Elizabeth, New Jersey 07207

We have audited the accompanying financial statements-statutory basis of the Division of Correctional Services, County of Union, as of and for the years ended December 31, 2009 and 2008 as listed as financial statements-statutory basis in the foregoing table of contents. These financial statements-statutory basis are the responsibility of the management of the Division of Correctional Services, County of Union. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Division of Correctional Services, County of Union, prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis with certain exceptions and laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The accompanying financial statements of the Division of Correctional Services, County of Union, were prepared for the purpose of complying with the Requirements of Audit for various statutory offices in county government as promulgated by the Local Finance Board and are not intended to be a complete presentation of the County of Union's financial position or results of operation with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## SUPLEE, CLOONEY & COMPANY


In our opinion, because the Division of Correctional Services, County of Union, prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the Division of Correctional Services, County of Union, as of December 31, 2009 and 2008.

However, in our opinion, the financial statements-statutory basis referred to above present fairly, in all material respects, the financial position-statutory basis of the Division of Correctional Services, County of Union, as of December 31, 2009 and 2008 and their cash receipts and disbursements and results of its operation and change in fund balance for the years then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 22, 2010 on our consideration of the Division of Correctional Services, County of Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important in assessing the results of our audit.

*Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.*

This report is intended solely for the information of the Union County Division of Correctional Services, County of Union, New Jersey and the Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

September 22, 2010



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Mr. Brian Riordan, Director and  
Honorable Chairman and Members  
of the Board of Chosen Freeholders  
Union County Administration Building  
Elizabethtown Plaza  
County of Union  
Elizabeth, New Jersey 07207

We have audited the accompanying financial statements-statutory basis of the Division of Correctional Services, County of Union, New Jersey as of and for the year ended December 31, 2009, and have issued our report thereon dated September 22, 2010. Our report disclosed that, as described in Note 1 to the financial statements, the Division of Correctional Services, County of Union, prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Division of Correctional Services, County of Union, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Division of Correctional Services, County of Union, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Union's internal control.

## SUPLEE, CLOONEY & COMPANY

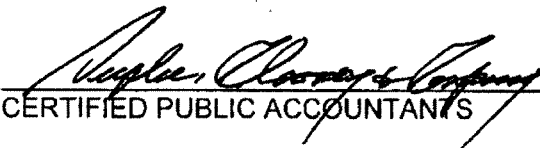
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Division of Correctional Services' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we noted other matters in the internal control system that we reported to the Division and are described in the Comments and Recommendations Section of this report.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division of Correctional Services' financial statements - statutory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Division of Correctional Services, County of Union, New Jersey, the Division of Local Government Services and federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

September 22, 2010

EXHIBIT "A"

COUNTY OF UNION  
DIVISION OF CORRECTIONAL SERVICES  
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Prisoners' Fund:		
Cash	\$ 382,614.44	\$ 310,145.26
Accounts Receivable	17,974.60	0.00
	<u>400,589.04</u>	<u>310,145.26</u>
Prisoners' Welfare Fund:		
Cash	\$ 440,324.42	\$ 295,837.68
Prisoners' Rehabilitation Fund:		
Cash	\$ 1,987.00	\$ 1,987.00
	<u>842,900.46</u>	<u>607,969.94</u>
<u>LIABILITIES AND RESERVES</u>		
Prisoners' Fund:		
Accounts Payable	\$ 124,294.56	\$ 57,283.18
Prisoners' Deposits	276,294.48	252,862.08
	<u>400,589.04</u>	<u>310,145.26</u>
Prisoners' Welfare Fund:		
Due Current Fund	\$ 212,431.04	\$ 16,181.11
Accounts Payable	75,321.62	103,767.50
Reserve for Expenditures	152,571.76	175,889.07
	<u>440,324.42</u>	<u>295,837.68</u>
Prisoners' Rehabilitation Fund:		
Reserve for Work Release Program	\$ 1,987.00	\$ 1,987.00
	<u>842,900.46</u>	<u>607,969.94</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



COUNTY OF UNION

DIVISION OF CORRECTIONAL SERVICES

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

	PRISONERS' FUNDS	PRISONERS' WELFARE FUND	PRISONERS' REHABILITATION FUND
Balance, December 31, 2008	\$ 310,145.26	\$ 295,837.68	\$ 1,987.00
Increased by Receipts:			
Prisoners' Deposits	\$ 951,832.95		
Interest		1,473.24	
Commissions on Sales		143,013.50	
	\$ 951,832.95	144,486.74	
	\$ 1,261,978.21	\$ 440,324.42	\$ 1,987.00
Decreased by Disbursements:			
Charges and Releases	\$ 822,080.59		
Commitments Payable	57,283.18		
Due to Current Fund			0.00
	\$ 879,363.77	\$ 0.00	\$ 0.00
Balance, December 31, 2009	\$ 382,614.44	\$ 440,324.42	\$ 1,987.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

★ Account #'s Redacted  
PER CPRA.

EXHIBIT "B"  
SHEET #2

COUNTY OF UNION  
DIVISION OF CORRECTIONAL SERVICES  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>BANK RECONCILIATION - DECEMBER 31, 2009</u>	<u>PRISONERS'</u> <u>FUNDS</u>	<u>PRISONERS'</u> <u>WELFARE</u> <u>FUND</u>	<u>PRISONERS'</u> <u>REHABILITATION</u> <u>FUND</u>
Balance per Statement:			
Bank of America			
Account # [REDACTED] ★	\$ 407,815.04		
Union County Savings			
Account # [REDACTED] ★			\$ 1,987.00
Crown Bank			
Account # [REDACTED] ★		\$ 440,324.42	
Add: Deposit in Transit	4,312.77		
Bank Errors	2,124.91		
	\$ 414,252.72	\$ 440,324.42	\$ 1,987.00
Less: Outstanding Checks Per List on File	31,638.28		
<u>BOOK BALANCE</u>	<u>\$ 382,614.44</u>	<u>\$ 440,324.42</u>	<u>\$ 1,987.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

COUNTY OF UNION

DIVISION OF CORRECTIONAL SERVICES

STATEMENT OF CHANGES IN RESERVE FOR EXPENDITURES - PRISONERS' WELFARE FUND

Fund Balance, December 31, 2008		\$	175,889.07
Increased by:			
Interest	\$	1,473.24	
Commissions on Sales		<u>143,013.50</u>	
			<u>144,486.74</u>
		\$	<u>320,375.81</u>
Decreased by:			
Commitments			<u>167,804.05</u>
Fund Balance, December 31, 2009		\$	<u><u>152,571.76</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

COUNTY OF UNION, NEW JERSEY

DIVISION OF CORRECTIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Division of Correctional Services, County of Union, New Jersey is part of the County of Union. Funds to operate the division are controlled and provided by the Board of Chosen Freeholders.

B. Nature of Activities

The Division of Correctional Services operates and maintains the Union County Jail which provides for the secure and humane care and custody of over 1,500 persons awaiting disposition of criminal charges within the parameters of the NJ Administrative Code regarding County Correctional Facilities. The Code details various services and programs that should be afforded each inmate, and it is the goal of the Jail to meet each of the requirements. Although securing inmates is paramount in this mission, offering rehabilitative programming to deter recidivism is the Jail's obligation to the community.

The Division of Correctional Services maintains three funds which are as follows:

Prisoners' Fund - Accounting for the resources and obligations, receipts and disbursements of, or on the behalf of, the prisoners.

Prisoners' Welfare Fund - Funds held in trust for various services and programs for inmates.

Prisoners' Rehabilitation Fund - Accounts for the receipts and disbursements for the work release program.

C. Basis of Accounting

The Financial Statements of the Division of Correctional Services have been prepared on the basis of accounting, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Revenues are recognized when received, rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

Financial statements presentation follows the requirements of audit promulgated by the Local Finance Board for various statutory offices in county government.

NOTE 2: CASH AND CASH EQUIVALENTS

The Division of Correctional Services considers cash in banks and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation.

The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Division of Correctional Services has the following cash and cash equivalents at December 31, 2009:

Cash in Bank	<u>\$824,925.86</u>
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SCHEDULE 1

COUNTY OF UNION

DIVISION OF CORRECTIONAL SERVICES

SCHEDULE OF COMMITMENT PAYABLE - PRISONERS' WELFARE FUND.

Balance, December 31, 2008	\$	103,767.50
Increased by:		
Encumbrances		39,816.14
	\$	<u>143,583.64</u>
Decreased by:		
Paid by Current Fund		68,262.02
		<u>68,262.02</u>
Balance, December 31, 2009	\$	<u><u>75,321.62</u></u>

SCHEDULE 2

SCHEDULE OF DUE CURRENT - PRISONERS' WELFARE FUND.

Balance, December 31, 2008	\$	16,181.11
Increased by:		
Commitments		236,066.07
	\$	<u>252,247.18</u>
Decreased by:		
Disbursements		
Encumbrances	\$	39,816.14
		<u>39,816.14</u>
Balance, December 31, 2009	\$	<u><u>212,431.04</u></u>

SCHEDULE 3

COUNTY OF UNION

DIVISION OF CORRECTIONAL SERVICES

SCHEDULE OF ACCOUNTS PAYABLE - PRISONERS' FUND

Balance, December 31, 2008	\$	57,283.18
Increased by:		
Account Payable		118,990.13
	\$	<u>176,273.31</u>
Decreased by:		
Disbursements		51,978.75
Balance, December 31, 2009	\$	<u><u>124,294.56</u></u>

SCHEDULE 4

SCHEDULE OF PRISONERS' DEPOSITS - PRISONERS' FUND

Balance, December 31, 2008	\$	252,862.08
Increased by:		
Interest	\$	
Receipts		951,832.95
		<u>951,832.95</u>
	\$	<u>1,204,695.03</u>
Decreased by:	\$	
Disbursements		804,105.99
Account Payable		124,294.56
		<u>928,400.55</u>
Balance, December 31, 2009	\$	<u><u>276,294.48</u></u>
Analysis of Balance:		
Interest	\$	18,382.34
Prisoners Deposits		252,715.53
Unidentified		5,196.61
	\$	<u><u>276,294.48</u></u>

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009



## PRISONERS' FUND

The balance in the fund exceeded the analysis of prisoners' deposits by \$5,196.61 at December 31, 2009. This balance has remained constant over the last 2 years; corrective action can now take place to adjust the difference.

Numerous reconciling items are being carried on the Prisoner Funds Deposits account bank reconciliation. Several of these reconciling items are more than a year old.

Monthly cash proofs and bank reconciliations are not being properly maintained.

Our examination of the receipts and disbursements disclosed that the Division uses The Keefe Group, an outside service provider, to manage and provide the commissary for the inmates of the Correctional facility. It was noted that The Keefe Group could not provide a SAS 70 letter relative to their internal controls.

The Keefe Group overcharged the Division of Corrections in 2008 and 2009 as a result of pricing discrepancies for a total of \$13,338.74. These funds will be reimbursed by The Keefe Group in 2010.

## RECOMMENDATIONS

\*That the Division of Correctional Services reconciles the detail analysis of prisoners' deposits to the balance on deposit in the bank account on a monthly basis.

\*That the reconciling items in the Prisoners Funds Deposits account bank reconciliation be investigated for proper disposition.

That cash proofs and bank reconciliations be maintained on a monthly basis.

That The Keefe Group provides the Division of Correctional Services with a SAS 70 letter as evidence of satisfactory internal controls.

\* Prior Year Recommendation