

*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, 2007*



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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*Division of Correctional Services*

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*Year Ended*  
*December 31, 2007*

DIVISION OF CORRECTIONAL SERVICES

COUNTY OF UNION

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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## INDEPENDENT AUDITOR'S REPORT

Mr. Frank M. Crose, 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, 2007 and 2006 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, 2007 and 2006.

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, 2007 and 2006 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 November 18, 2008 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

November 18, 2008



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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. Frank M. Crose, 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, 2007, and have issued our report thereon dated November 18, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was limited for the 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division of Correctional Services, County of Union, basic financial statements 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 basic 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 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

November 18, 2008

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

	BALANCE DECEMBER 31, 2007	BALANCE DECEMBER 31, 2006
<u>ASSETS</u>		
Prisoners' Fund:		
Cash	\$ <u>294,810.81</u>	\$ <u>253,324.04</u>
Prisoners' Welfare Fund:		
Cash	\$ <u>276,945.51</u>	\$ <u>237,941.91</u>
Prisoners' Rehabilitation Fund:		
Cash	\$ <u>1,987.00</u>	\$ <u>1,987.00</u>
	<u>\$ 573,743.32</u>	<u>\$ 493,252.95</u>
<u>LIABILITIES AND RESERVES</u>		
Prisoners' Fund:		
Accounts Payable	\$ 59,085.23	\$ 54,481.87
Prisoners' Deposits	<u>235,725.58</u>	<u>198,842.17</u>
	<u>\$ 294,810.81</u>	<u>\$ 253,324.04</u>
Prisoners' Welfare Fund:		
Due Current Fund	\$ 15,377.06	\$
Accounts Payable	45,246.79	62,500.01
Reserve for Expenditures	<u>216,321.66</u>	<u>175,441.90</u>
	<u>\$ 276,945.51</u>	<u>\$ 237,941.91</u>
Prisoners' Rehabilitation Fund:		
Reserve for Work Release Program	\$ <u>1,987.00</u>	\$ <u>1,987.00</u>
	<u>\$ 573,743.32</u>	<u>\$ 493,252.95</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, 2007

	PRISONERS' FUNDS		PRISONERS' WELFARE FUND		PRISONERS' REHABILITATION FUND
Balance, December 31, 2006	\$ 253,324.04		\$ 237,941.91		\$ 1,987.00
Increased by Receipts:					
Prisoners' Deposits	\$ 889,636.28		\$		
Interest	7,251.09		966.29		
Outstanding Checks Voided			20.00		
Commission Sales			148,020.46		
	<u>896,887.37</u>		<u>149,006.75</u>		
	\$ 1,150,211.41		\$ 386,948.66		<u>1,987.00</u>
Decreased by Disbursements:					
Charges and Releases	\$ 800,918.73		\$		
Commitments Payable	54,481.87		55,204.79		
Due to Current Fund			54,798.36		
	<u>855,400.60</u>		<u>110,003.15</u>		<u>0.00</u>
Balance, December 31, 2007	\$ <u>294,810.81</u>		\$ <u>276,945.51</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 CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>BANK RECONCILIATION - DECEMBER 31, 2007</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 # 0038 1514 0835	\$ 333,094.40		
Union County Savings			
Account # 0000035147			\$ 1,987.00
First Bank Americano			
Account # 111110155		\$ 288,156.80	
Add: Deposit in Transit	5,975.39		
Bank Errors	1,606.42		
	\$ 340,676.21	\$ 288,156.80	\$ 1,987.00
Less: Outstanding Checks Per List on File	45,865.40	11,211.29	
<u>BOOK BALANCE</u>	<u>\$ 294,810.81</u>	<u>\$ 276,945.51</u>	<u>\$ 1,987.00</u>

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

EXHIBIT "C"

COUNTY OF UNION

DIVISION OF CORRECTIONAL SERVICES

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

Fund Balance, December 31, 2006	\$	175,441.90
Increased by:		
Commissions on Sales		<u>149,006.75</u>
	\$	<u>324,448.65</u>
Decreased by:		
Commitments		<u>108,126.99</u>
Fund Balance, December 31, 2007	\$	<u><u>216,321.66</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, 2007 AND 2006

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, 2007:

Cash in Bank	<u>\$573,743.32</u>
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COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2007

## PRISONERS' FUND

The balance in the fund exceeded the analysis of prisoners' deposits by \$11,906.58 at December 31, 2007.

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.

## RECOMMENDATIONS

- \* That the Division of Correctional Services reconcile 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.

\* Prior Year Recommendation