

Report of Audit
on the
Financial Statements
of
Runnells Specialized Hospital
of Union County
for the
Year Ended
December 31, 2009



SUPLEE, CLOONEY & COMPANY
PUBLIC ACCOUNTANTS

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The Honorable Board of
Chosen Freeholders of the
County of Union, New Jersey
Administration Building
Elizabeth, New Jersey 07207

Enclosed please find twelve (12) copies of Independent Auditor's Report, Runnells Specialized Hospital of Union County, for the Year Ended December 31, 2009

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

December 23, 2010

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Encls

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

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INDEPENDENT AUDITOR'S REPORT

Honorable Director and Members of the
Board of Chosen Freeholders
County of Union
Administration Building
Elizabeth, New Jersey 07207

We have audited the Statement of Assets, Liabilities and Fund Balance - Statutory Basis of Runnells Specialized Hospital, a component unit of the County of Union, as of December 31, 2009. This financial statement is the responsibility of the County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

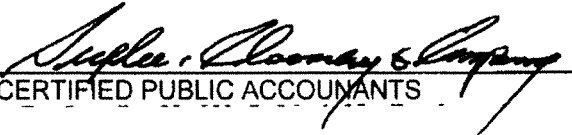
As described in Note 1, the Statement of Assets, Liabilities and Fund Balance has been prepared on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.


In our opinion, the Statement of Assets, Liabilities and Fund Balance - Statutory Basis referred to above presents fairly, in all material respects, the financial position of Runnells Specialized Hospital of Union County as of December 31, 2009 on the basis of accounting described in Note 1.

SUPLEE, CLOONEY & COMPANY

Our audit was conducted for the purpose of forming an opinion on the Statement of Assets, Liabilities and Fund Balance - Statutory Basis. The financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the Statement of Assets, Liabilities and Fund Balance and, in our opinion, is fairly presented in all material respects.

This report is intended solely for the information of the management of the County of Union, Runnels Specialized Hospital of Union County, the Division of Local Government Services and federal and state audit agencies and is not intended to be used by anyone other than the specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO 50

November 5, 2010

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31, 2009

ASSETS

<u>General Fund</u>		
Cash	\$	8,233
Change Fund		100
Accounts Receivable - Patients - Net		<u>7,850,539</u>
<u>Total General Fund</u>	\$	7,858,872
 <u>Restricted Fund</u>		
Cash		<u>188,433</u>
<u>TOTAL ASSETS</u>	\$	<u><u>8,047,305</u></u>

LIABILITIES AND FUND BALANCES

<u>General Fund</u>		
<u>Liabilities</u>		
Due to County of Union	\$	7,315,226
Due to the State of New Jersey		<u>543,646</u>
<u>Total General Fund</u>	\$	7,858,872
 <u>Restricted Fund</u>		
<u>Fund Balances</u>		
Patients	\$	181,301
Other		<u>7,132</u>
<u>Total Restricted Fund</u>		<u>188,433</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$	<u><u>8,047,305</u></u>

See Accompanying Notes to Financial Statements

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accounting policies of Runnells Specialized Hospital of Union County conform to the general accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The following is a summary of the significant policies.

Basis of Accounting

General Fund - This fund is maintained on the accrual basis of accounting and is used primarily for recording patient care revenue. This revenue when received in cash is remitted to the County of Union. Purchasing for the Hospital is made through the Union County Purchasing Department based on requisitions originating at the Hospital. The Union County Department of Finance maintains detailed records relative to Hospital expenditures.

Restricted Fund - This fund is maintained on the cash basis of accounting and is used as a safekeeping service for funds belonging to patients.

Inventory of Supplies

Perpetual inventory records are maintained by quantity of each item. The value of the inventory is not recorded or reflected in the Hospital's records or these statements. Purchases of supplies, etc., are recorded as expenditures at the time individual items are purchased.

Fixed Assets

Property and equipment purchased by the County of Union for use by the Hospital are recorded as expenditures at the time of purchase.

Patients' Accounts Receivable

Psychiatric patients are admitted and their individual rates established by the County. All other admissions and their individual rates are established by the Admissions/Finance Department of the Hospital. In cases where the charges for patient care are made to other agencies and the amount the agencies have fixed as their maximum contribution is less than the amount fixed in the court order, the charges are based on the maximum recovery from the agencies.

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(2) DR WATSON B MORRIS BEQUEST FUND

The Dr Watson B Morris Bequest Fund is held in trust by the Department of Finance of the County of Union. At December 31, 2009, the balance in the fund available for the benefit of the Hospital was \$16,091.

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ADDITIONAL INFORMATION

SCHEDULE 1

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
GENERAL FUND

JANUARY 1, 2009 TO DECEMBER 31, 2009

Balance, January 1, 2009		\$	418,772
Increased by Receipts			
Patients' Accounts Receivable Current Year	\$	27,126,449	
State of New Jersey-Peer Grouping		2,930,674	
State Aid Program		11,248,141	
Medicare Settlement		(330,543)	
Medicaid Settlement		1,751,178	
Miscellaneous Revenues		40,751	
Cafeteria		88,341	
TV Rentals		17,062	
Interest		(124)	
Refunds		85,425	
Transfers for Patients' Funds		28,865	
Bad Debt Medicare		237,450	
			<u>43,223,669</u>
		\$	<u>43,642,441</u>
Decreased by Disbursements			
Transferred to County of Union	\$	43,522,151	
Refunds		85,425	
Transferred to Patients' Funds		28,865	
			<u>43,636,441</u>
Balance, December 31, 2009		\$	<u>6,000</u>

CASH RECONCILIATION - DECEMBER 31, 2009

Balance Per Bank Statement			
Bank of America			
Account No [REDACTED]		\$	<u>6,000</u>

Bank
account #
redacted
per OPRA.

SCHEDULE 2

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-
PATIENTS' FUND

JANUARY 1, 2009 TO DECEMBER 31, 2009

Balance, January 1, 2009		\$	171,596
Increased by Receipts			
Patients' Deposits	\$	125,984	
Transferred From Social Security Fund		57,051	
Transferred From General Fund		28,865	
Interest		711	
			<u>212,611</u>
		\$	<u>384,207</u>
Decreased by Disbursements			
Patients' Expenses			<u>202,906</u>
Balance, December 31, 2009		\$	<u>181,301</u>

CASH RECONCILIATION - DECEMBER 31, 2009

Balance Per Bank Statement			
TD Bank Account No [REDACTED]		\$	183,520
Add (Deduct)			
Deposit in Transit			
Cash on Hand			
		\$	<u>35</u>
			<u>315</u>
			<u>350</u>
		\$	<u>183,870</u>
Less Outstanding Checks			<u>(2,569)</u>
<u>BOOK BALANCE</u>		\$	<u>181,301</u>

*Bank Acct #
redacted per
OPRA.*

SCHEDULE 3

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-
SOCIAL SECURITY FUND

JANUARY 1, 2009 TO DECEMBER 31, 2009

Balance, January 1, 2009		\$	6,891
Increased by Receipts			
Patients' Deposits			1,064,171
Interest			119
		\$	<u>1,071,181</u>
Decreased by Disbursements			
Transferred to Patients' Fund	\$	57,051	
Returned to Social Security		5,530	
Transferred to County of Union		928,358	
Other		920	
Fee Adjustments		<u>(25)</u>	
			<u>991,834</u>
Balance, December 31, 2009		\$	<u>79,347</u>

CASH RECONCILIATION - DECEMBER 31, 2009

Balance Per Bank Statements			
Sovereign Bank Account No. [REDACTED]		\$	2,059
TD Bank Account No. [REDACTED]			<u>77,288</u>
<u>BOOK BALANCE</u>		\$	<u>79,347</u>

*Bank
Acct #s
Redacted
per OPRA.*

SCHEDULE 4

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-
OTHER FUNDS

JANUARY 1, 2009 TO DECEMBER 31, 2009

FUND	BALANCE JANUARY 1, 2009	RECEIPTS	DISBURSEMENTS	BALANCE DECEMBER 31, 2009
Donations	\$ 2,796	\$ 36	\$ 220	\$ 2,612
Volunteer Service	114			114
Cornerstone - Beauty Shop	236	165	336	65
Cornerstone - Out Trp	174	350	401	123
Recreational Therapy	3,496		813	2,683
Roberta Knox Fund	1,628	5,801	6,611	818
Medical Staff	39			39
John T Hennessy Memorial	100		100	-
Occupational Therapy	8			8
Garden	150			150
Chapel	300			300
Special Function	40		20	20
Oncology	200			200
	<u>\$ 9,281</u>	<u>\$ 6,352</u>	<u>\$ 8,501</u>	<u>\$ 7,132</u>

CASH RECONCILIATION-DECEMBER 31, 2009

Balance Per Bank Statement

TD Bank Account No [REDACTED]	Bank acct #	\$ 7,132
Less Outstanding Check	Redacted	<u>- 0 -</u>
<u>BOOK BALANCE</u>	per OPRA.	<u>\$ 7,132</u>

SCHEDULE 5

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-
PETTY CASH FUND

JANUARY 1, 2009 TO DECEMBER 31, 2009

Balance, January 1, 2009	\$	-0-
Increased by Receipts		
Advances and Reimbursements From County of Union - Department of Finance		4,490 00
	\$	<u>4,490 00</u>
Decreased by Disbursements		
Refund to County	\$	(584 62)
Petty Cash Expenditures		(3,905 38)
	\$	<u>(4,490 00)</u>
Balance, December 31, 2008	\$	<u>-0-</u>

CASH RECONCILIATION - DECEMBER 31, 2009

Balance Per Bank Statement		
Bank of America Account No [REDACTED]	\$	1,414 91
Outstanding Check		<u>(1,414 91)</u>
Adjusted Bank Balance, December 31, 2009	\$	<u>-</u>

*Bank acct #
Redacted
per OIRA.*

SCHEDULE 6

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF ACCOUNTS RECEIVABLE-PATIENTS

JANUARY 1, 2009 TO DECEMBER 31, 2009

Accounts Receivable - Open Balances	\$	25,216,955	
Closed Addiction Recovery Unit		<u>19,995</u>	
Balance, January 1, 2009			\$ 25,236,950
Increased by			
Charges - Net			<u>41,389,242</u>
			66,626,192
Decreased by			
Collections-Net			<u>30,957,520</u>
Adjustments and Write-Offs			<u>6,683,831</u>
Accounts Receivable - Closing Balances	\$	28,964,886	
Closed Addiction Recovery Unit		<u>19,995</u>	
Balance Before Adjustments			\$ 28,984,841
Adjustments			
Balances maintained for the State of New Jersey			15,134,302
Reserve for Uncollectible Accounts and Adjustments			<u>6,000,000</u>
Balance, December 31, 2009 - Net			\$ <u><u>7,850,539</u></u>

ANALYSIS OF COLLECTIONS

Collected by			
Runnells Specialized Hospital-General Fund	\$	27,126,449	
Peer Grouping		2,930,674	
Social Security Direct Deposit		<u>900,397</u>	
Collections - Net			\$ <u><u>30,957,520</u></u>

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF EXPENDITURES - 2009 BUDGET

JANUARY 1, 2009 TO DECEMBER 31, 2009

	BUDGET AFTER MODIFICATION AND CANCELLATIONS	DISBURSED BY COUNTY IN 2009	COMMITMENTS PAYABLE DECEMBER 31, 2009	RESERVE OR (DEFICIT)
<u>SALARIES AND WAGES</u>				
Office of Director	\$ 550,000 00	\$ 600,386 66		\$ (50,386 66)
Telephone and Mail	64,159 00	59,786 34		4,372 66
Ancillary Services	280,000 00	283,017 10		(3,017 10)
Medical Services	1,065,000 00	1,015,550 61		49,449 39
Utilization Review	205,000 00	202,990 38		2,009 62
Medical Records	265,000 00	263,641 81		1,358 19
Clinic	130,000 00	134,968 05		(4,968 05)
Nursing Services	1,775,000 00	1,783,067 97		(8,067 97)
Registered Nurses	4,760,352 00	4,414,241 87		346,110 13
Practical Nurses	3,175,000 00	3,380,684 47		(205,684 47)
Institutional Attendants	7,250,000 00	7,354,701 71		(104,701 71)
Unit Clerks	485,000 00	462,176 37		22,823 63
Patient Transportation	197,500 00	217,141 25		(19,641 25)
Finance	1,005,000 00	1,016,309 79		(11,309 79)
Patient Accounts	236,000 00	250,646 22		(14,646 22)
Data Processing	57,609 00	58,086 53		(477 53)
Material Management	261,500 00	263,524 39		(2,024 39)
Admitting	72,139 00	73,624 87		(1,485 87)
Professional- Support Services	175,000 00	164,836 47		10,163 53
Volunteers	125,000 00	112,868 46		12,131 54
Physical Therapy	515,000 00	491,483 43		23,516 57
Occupational Therapy	160,000 00	168,479 83		(8,479 83)
Dietary	2,445,000 00	2,501,550 35		(56,550 35)
Immunization Clinic	-	1,940 00		(1,940 00)
Social Services	920,000 00	862,390 80		57,609 20
Activities Therapy	930,000 00	860,870 01		69,129 99
Laundry	375,000 00	378,411 11		(3,411 11)
Housekeeping	1,660,000 00	1,647,175 34		12,824 66
Maintenance	760,000 00	783,041 21		(23,041 21)
Engineering	440,000 00	409,750 71		30,249 29
<u>TOTAL SALARIES AND WAGES</u>	<u>\$ 30,339,259 00</u>	<u>\$ 30,217,344 11</u>		<u>\$ 121,914 89</u>
<u>OTHER EXPENSES</u>				
Office of Director	\$ 257,700 00	\$ 268,164 64	\$ 40,977 62	\$ (51,442 26)
Personnel	6,950 00	517 53	3,133 56	3,298 91
Security	359,600 00	374,422 51	30,180 30	(45,002 81)
Telephone and Mail	20,150 00	16,182 17	1,751 18	2,216 65
Ancillary Services	7,400 00	7,454 54	603 83	(658 37)
Public Relations and Marketing	254,000 00	124,939 22	60,836 38	68,224 40
Medical Services	50,520 00	9,599 35	289 92	40,630 73
Utilization Review	45,000 00	34,110 35	125 25	10,764 40
Medical Records	41,555 00	22,458 45	2,149 00	16,947 55
Cornerstone Psychology	264,740 00	229,324 33	25,102 27	10,313 40
Clinic	4,135 00	2,167 37	155 00	1,812 63
Nursing Services	66,800 00	26,221 89	3,347 57	37,230 54
Registered Nurses	62,250 00	44,359 47	105 30	17,785 23
Practical Nursing	37,850 00	29,005 43	-	8,844 57
Institutional Attendants	67,000 00	66,677 50	150 00	172 50
Unit Clerks	3,220 00	-	-	3,220 00
Respiratory Therapy	92,200 00	60,837 92	17,362 08	14,000 00
Staff Development	40,250 00	26,828 70	9,950 00	3,471 30
Patient Transportation	89,300 00	66,618 73	8,496 27	14,185 00
Finance	53,600 00	40,357 76	1,098 75	12,143 49
Patient Accounts	2,500 00	3,597 51	46 40	(1,143 91)

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF EXPENDITURES - 2009 BUDGET

JANUARY 1, 2009 TO DECEMBER 31, 2009

	<u>BUDGET AFTER MODIFICATION AND CANCELLATIONS</u>	<u>DISBURSED BY COUNTY IN 2009</u>	<u>COMMITMENTS PAYABLE DECEMBER 31, 2009</u>	<u>RESERVE OR (DEFICIT)</u>
<u>OTHER EXPENSES (CONTINUED)</u>				
Data Processing	\$ 40,500 00	\$ 37,120 52	\$ 2,195 21	\$ 1,184 27
Maternal Management	680,500 00	672,921 59	132,583 26	(125,004 85)
Admitting	5,425 00	2,960 01	52 74	2,412 25
Professionalism- Support Services	35,800 00	28,098 23	144 05	7 557 72
Volunteers	17,420 00	11,429 07	502 08	5,488 85
Physical Therapy	278,844 00	210,938 96	26,962 06	40,942 98
Occupational Therapy	718,040 00	659,562 49	45,957 68	12 519 83
Speech/Hearing	95 000 00	43,981 57	9,917 42	41,101 01
Dietary	1,364,574 00	1 207,458 95	115,321 06	41,793 99
Pharmacy	1,370,000 00	1,162,452 43	158,863 20	48,684 37
Immunization Clinic	9,395 00	7,732 74	1 534 95	127 31
Radiology	45,000 00	38,755 00	11,245 00	(5,000 00)
Social Services	17,100 00	12,501 96	2,171 37	2,426 67
Activities Therapy	27,850 00	17,017 07	2 920 48	7,912 45
Laboratory	100,000 00	72,901 83	43 764 17	(16,666 00)
Laundry	335,500 00	304 280 87	47 204 55	(15,985 42)
Housekeeping	124 850 00	140,930 07	29,522 10	(45,602 17)
Maintenance	310,500 00	292 669 34	32,253 43	(14,422 77)
Power Plant	61 320 00	74,145 81	6 715 11	(19,540 92)
Grounds	85 000 00	72,506 68	13,557 32	(1,064 00)
<u>TOTAL OTHER EXPENSES</u>	<u>\$ 7,549,338 00</u>	<u>\$ 6 524,210 56</u>	<u>\$ 889 247 92</u>	<u>\$ 135 879 52</u>
<u>TOTAL OPERATIONS</u>	<u>\$ 37 888,597 00</u>	<u>\$ 36 741,554 67</u>	<u>\$ 889 247 92</u>	<u>\$ 257 794 41</u>
Revenue				
2009 Charges for Patients Services - Net	\$ 34,705,411 00			
Miscellaneous	146,154 00			
State of New Jersey - Peer Grouping	<u>2 930 674 00</u>			
		\$ 37 782,239 00		
Less				
2009 Budget Expenditures				
Disbursed by County In 2009	\$ 36,741,554 67			
Commitments Payable December 31, 2009	<u>889 247 92</u>			
		<u>37 630 802 59</u>		
Excess Revenue (Deficit)		<u>\$ 151,436 41</u>		

Note The above does not include other costs and services provided by the County of Union and charged to other County appropriations

SCHEDULE 8

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF 2008 APPROPRIATION RESERVES

	<u>SALARIES AND WAGES</u>	<u>OTHER EXPENSES</u>
Balance, December 31, 2008		
Commitments Payable	\$ -0-	\$ 1,087,181
Reserved	<u>296,158</u>	<u>232,274</u>
	\$ <u>296,158</u>	\$ <u>1,319,455</u>
Transfers	-	-
Balance After Transfers	\$ <u>296,158</u>	\$ <u>1,319,455</u>
Expended		
By Cash (net)	\$ (124,047)	(635,437)
By Accounts Payable	<u>-</u>	<u>(40,211)</u>
Balance Lapsed	\$ <u>172,111</u>	\$ <u>643,807</u>

COMMENTS AND RECOMMENDATIONS

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009

Payroll Transactions

Time cards for the Nursing staff are not being reviewed and authorized. Review and approval of time cards is a necessary procedure to ensure approval for hours worked and authorization for overtime.

We recommend that the authorization procedures for time cards be uniformly implemented among all departments. Evidence of review and approval for hours worked and overtime hours should be represented with an authorized signature on the time cards.

Patient Authorization for Patient Fund Withdrawals

Several patient fund withdrawal slips were unsigned. Patient authorization of withdrawals from their patient fund account is a necessary procedure for documented authorization of these withdrawals.

We recommend that procedures for patient authorization of withdrawals be improved.