

NON-SECURE PROGRAMS, INC.  
AUDIT REPORT PACKAGE  
FOR THE YEAR ENDED DECEMBER 31, 2016

NON-SECURE PROGRAMS, INC.  
AUDIT REPORT PACKAGE  
FOR THE YEAR ENDED DECEMBER 31, 2016

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# **SECTION**

**A**

NON-SECURE PROGRAMS, INC.

PANAMA CITY, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

NON-SECURE PROGRAMS, INC.  
PANAMA CITY, FLORIDA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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# **CHARLES TIPTON & COMPANY**

CERTIFIED PUBLIC ACCOUNTANT

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Non-Secure Programs, Inc.

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Non-Secure Programs, Inc., which comprise the balance sheet as of December 31, 2016, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

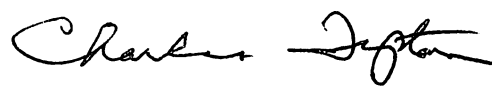
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Non-Secure Programs, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 25, 2017, on my consideration of Non-Secure Programs, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations and contracts, and other matters. The purpose of that report is to describe the scope of my 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* in considering Non-Secure Programs, Inc.'s internal control over financial reporting and compliance.

 Charles Defton & Company, CPA

September 25, 2017

NON-SECURE PROGRAMS, INC.  
BALANCE SHEET  
DECEMBER 31, 2016

ASSETS

Current assets	
Cash	\$ 149,478
Accounts receivable	452,079
Prepaid insurance	<u>12,743</u>
Total current assets	<u>614,300</u>
Property and equipment	
Leasehold - building and improvements	1,306,139
Furniture and equipment	371,618
Accumulated depreciation	<u>(932,327)</u>
Net property and equipment	<u>745,430</u>
Other Assets	
Loan to affiliate	63,770
Loan to employee	<u>3,000</u>
Total other assets	<u>66,770</u>
Total assets	<u><u>\$ 1,426,500</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable - trade	\$ 119,933
Payroll taxes payable	1,165
Accrued fringe benefits	1,988
Accrued payroll	<u>59,421</u>
Total current liabilities	<u>182,507</u>
Other liabilities	
Rent payable to affiliate	24,655
Loan from affiliate	<u>68,256</u>
Total other liabilities	<u>92,911</u>
Total liabilities	<u>275,418</u>
Stockholders' equity	
Common stock, \$1 par, issued and outstanding 1,000 shares	1,000
Retained earnings	<u>1,150,082</u>
Total stockholders' equity	<u>1,151,082</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,426,500</u></u>

See the accompanying notes.



NON-SECURE PROGRAMS, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Income	
Contract fees	\$ 3,764,915
Subsistence and other fees	645,795
Other	<u>1,265</u>
Total income	<u>4,411,975</u>
Expenses	
Depreciation	52,116
Employee benefits	2,940
Equipment rent	62,056
Food	1,047,963
Insurance	123,424
Medical	53,305
Miscellaneous	7,587
Office	2,706
Payroll taxes	122,341
Professional fees	120,957
Rent	953,521
Repairs and maintenance	143,371
Salaries and wages	1,432,400
Supplies	31,033
Taxes and licenses	3,797
Telephone	37,194
Transportation	12,466
Travel	1,398
Utilities	<u>267,184</u>
Total expenses	<u>4,477,759</u>
Net income (loss)	(65,784)
Retained earnings - beginning of year	<u>1,215,866</u>
Retained earnings - end of year	<u><u>\$ 1,150,082</u></u>

See the accompanying notes.

NON-SECURE PROGRAMS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Increase (Decrease) In Cash

Cash Flows from Operating Activities	
Net income (loss)	\$ (65,784)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	52,116
Decrease (increase) in:	
Accounts receivable	(67,355)
Prepaid expenses	68,560
Increase (decrease) in:	
Accounts payable - trade	54,279
Payroll taxes payable	(13,335)
Accrued fringe benefits	1,988
Accrued payroll	(2,493)
Rent payable to affiliate	<u>(25,800)</u>
Net cash provided by operating activities	<u>2,176</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(27,515)</u>
Net cash used by investing activities	<u>(27,515)</u>
Cash Flows from Financing Activities	
Loans to affiliate	(437,000)
Loan repayments from affiliate	<u>600,000</u>
Net cash provided used by financing activities	<u>163,000</u>
Net increase in cash	137,661
Cash - beginning of year	<u>11,817</u>
Cash - end of year	<u><u>\$ 149,478</u></u>

Supplemental Disclosure:

Cash paid during the year for:	
Interest	\$ 0
Income taxes	0

See the accompanying notes.

NON-SECURE PROGRAMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company operates substance abuse treatment programs and probation and restitution programs under contracts with the Florida Department of Corrections. The Company presently operates facilities at Pensacola, Panama City, Ocala, Tallahassee, and Orlando, Florida.

Property and Equipment

The Company's property and equipment are recorded at cost and are depreciated by straight-line and accelerated methods over useful lives of 3 to 39 years.

Income Taxes

The Company, with the consent of its shareholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of the corporation paying income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due on billings for services provided under Florida state contracts. Management considers all outstanding amounts collectible.

NOTE 3 - LOANS TO AND FROM AFFILIATES

The Company has an outstanding loan to its affiliate, Keeton Corrections, Inc., in the amount of \$63,770, and an outstanding loan from its affiliate, Spence Holdings, Inc., for \$68,256. The loans are unsecured, non-interest bearing, and are due on demand.

NOTE 4 - RENT PAYABLE - AFFILIATE

The Company, at December 31, had recorded a liability to its affiliate, Spence Holdings, Inc., for unpaid rent of \$24,655.

NON-SECURE PROGRAMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company shares common management, home office facilities and administrative costs with Keeton Corrections, Inc. and Spence Holdings, Inc. The sole stockholder of Non-Secure Programs, Inc. is also the sole stockholder of Keeton Corrections, Inc., and, with spouse, jointly owns Spence Holdings, Inc.

Certain shared expenses are paid by each company, based on its share of actual use. See notes 3,4,6, and 7 for information on other related party transactions.

NOTE 6 - LEASES

The Company leases its housing facilities in Ocala and Orlando from unrelated parties under annual renewal or monthly renewal leases. The annual rent for the facilities is approximately \$354,000, plus property taxes paid of approximately \$55,000.

The Company leases its facilities in Panama City, Pensacola and Tallahassee from an affiliate, Spence Holdings, Inc. The leases are for a term of 15 years, with options for three five-year extensions, and, with options, they expire in 2033, 2036 and 2045. Annual rent under the leases is approximately \$516,000, plus property taxes paid of approximately \$31,000.

The Company leases vehicles, copiers and laundry equipment under operating leases, with payments totaling approximately \$60,000 annually. Management anticipates that when leases expire, they will be replaced with similar leases.

Estimated future payments under leases for the next five years are as follows:

2017	\$ 1,018,000
2018	1,019,000
2019	1,020,000
2020	1,021,000
2021	1,022,000

NOTE 7- EMPLOYEE BENEFITS

The Company participates, for the benefit of its eligible employees, in a section 401(k) savings plan sponsored by Keeton Corrections, Inc., an affiliate. Under the savings plan, the Company offers a partial match of gross earnings contributed to the plan by vested employees. The Company's contribution to the 401(k) plan for the plan year ended July 31, 2016, was \$1,988.

NON-SECURE PROGRAMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 - CONTRACTS

Florida state contracts are for a period of five years, and include optional annual extension periods for up to five years. Management anticipates that, as contracts expire, the Company will be awarded new contracts.

Estimated future revenues from present contracts, including the optional annual extension periods, are anticipated to be as follows:

2017	\$ 4,250,677
2018	3,933,828
2019	3,624,215
2020	3,190,913
2021	1,351,154

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 25, 2017, which is the date these financial statements were available to be issued.

NOTE 10 - LITIGATION

The Company is occasionally involved in various legal actions which arise normally in the course of its business. Management does not anticipate that the outcome of any current or pending litigation will have a material effect on the Company's financial position.

SUPPLEMENTARY INFORMATION

NON-SECURE PROGRAMS, INC.  
 SCHEDULE OF EXPENDITURES OF  
 STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

<u>State Agency Name</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures (In Thousands)</u>	<u>Transfers To Subrecipients (In Thousands)</u>
Direct Projects:				
Florida Department of Corrections	70.003*	C2607	\$ 680	\$ 0
Florida Department of Corrections	70.016*	C2655	926	0
Florida Department of Corrections	70.016*	C2657	576	0
Florida Department of Corrections	70.016*	C2692	893	0
Florida Department of Corrections	70.016*	C2786	<u>690</u>	<u>0</u>
Total Expenditures of State Financial Assistance			<u>\$ 3,765</u>	<u>\$ 0</u>

\* Denotes major project

See accompanying notes to Schedule of Expenditures of  
 State Financial Assistance.

NON-SECURE PROGRAMS, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE B - INDIRECT COSTS

Indirect costs are allocated to state financial assistance projects under a cost allocation plan using each project's income as a percentage of total project income.



# **SECTION**

## **B**

# **CHARLES TIPTON & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANT**

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

Board of Directors  
Non-Secure Programs, Inc.

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Non-Secure Programs, Inc. which comprise the balance sheet as of December 31, 2016, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated September 25, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Non-Secure Programs, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Non-Secure Programs, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Non-Secure Programs, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles J. J. + Company, CPA*

September 25, 2017

# **SECTION**

**C**

# **CHARLES TIPTON & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANT**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Board of Directors  
Non-Secure Programs, Inc.

### **Report on Compliance for Each Major State Program**

I have audited Non-Secure Programs, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services State Projects Compliance Supplement, that could have a direct and material effect on each of Non-Secure Programs, Inc.'s major state programs for the year ended December 31, 2016. Non-Secure Programs, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, and contracts applicable to its state programs.

### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Non-Secure Programs, Inc.'s major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Those standards, and the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Non-Secure Programs, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of Non-Secure Programs, Inc.'s compliance.

### **Opinion on Each Major State Program**

In my opinion, Non-Secure Programs, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of Non-Secure Programs, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Non-Secure Programs, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on the internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Non-Secure Program, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Charles J. J. & Company, CPA*

September 25, 2017

# **SECTION**

## **D**

NON-SECURE PROGRAMS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

**Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Non-Secure Programs, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of Non-Secure Programs, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major state financial assistance programs are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL.
5. The auditor's report on compliance for the major state financial assistance programs expresses an unmodified opinion on all major state financial assistance programs.
6. Audit findings that are required to be reported in accordance with 2CFR Section 200.516(a) are reported in this Schedule.

7. The programs tested as major programs include:

Name	CSFA No.	Contract No.
Florida Department of Corrections	70.003	C2607
Florida Department of Corrections	70.016	C2655
Florida Department of Corrections	70.016	C2657
Florida Department of Corrections	70.016	C2692
Florida Department of Corrections	70.016	C2786

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. No items related to state financial assistance were required to be reported in the management letter.
10. Non-Secure Programs, Inc. had no audit findings from prior years.

**FINDINGS-FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS-SCHEDULE OF EXPENDITURES OF STATE  
 FINANCIAL ASSISTANCE**

None



# **SECTION**

**E**

# **CHARLES TIPTON & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANT**

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## **MANAGEMENT LETTER**

Board of Directors  
Non-Secure Programs, Inc.

### **Report on financial statements**

I have audited the financial statements of Non-Secure Programs, Inc. as of and for the year ended December 31, 2016, and have issued my report thereon dated September 25, 2017.

### **Auditor's Responsibility**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.650 or Rules of the Auditor General.

### **Other Reports and Schedule**

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governments Auditing Standards*, Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 25, 2017, should be considered in conjunction with this management letter.

### **Other Matter**

Section 10.654(1)(e), Rules of the Auditor General, requires that I address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings. I do, however, wish to call your attention to the lack of segregation of duties in your company's accounting department. There is an inherent weakness in your system of internal control, due to the fact that most of your accounting functions at the home office are centered in one individual. Your comptroller initiates financial transactions, such as checks and deposits, makes journal entries, has access to your signature stamp, and reconciles the bank statements. I do not consider this condition to be a material weakness because you are aware of the situation and have established alternative procedures to compensate for the inherent weakness. You monitor the bank account closely and review bank reconciliations with bank statements each month. You read financial statements each month and make inquiries regarding questionable items. You pay particular attention to transactions authorized by your signature stamp. You are familiar with your employees and vendors, etc. I realize that this condition exists of necessity, due to the small number of employees in your home office, and that the use of your signature stamp is necessitated by the volume of checks and the fact that you are often out of town or otherwise not immediately available. I mention this inherent weakness here simply to remind you that the lack of segregation of duties does exist; therefore, it is important that the alternative procedures continue to be implemented.

**Purpose of this letter**

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Florida Department of Corrections, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Charles Dichter & Company, CPA*

September 25, 2017

# **SECTION**

# **F**



## Non-Secure Programs, Inc.

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ceokks@keetoncorrections.com  
www.keetoncorrections.com

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Kimberly Keeton Spence, President

September 26, 2017

Mr. Charles Tipton  
Certified Public Accountant  
#5 Miracle Strip Loop, Suite 5  
Panama City Beach, Florida 32407

Dear, Mr. Tipton:

Thank you for your letter dated September 25, 2017, which included recommendations for improving the internal controls of Non-Secure Programs, Inc. I am aware of the lack of segregation of duties in accounting and consider it necessary for our operations, but I will continue to maintain alternative control procedures as mentioned in your letter. If you have any questions or concerns, then please do not hesitate to contact me. As always, I will strive to provide quality services and maintain a system of operation that will allow us to achieve these goals.

Sincerely,

Kimberly K. Spence  
President