



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CORRECTIONS COMMISSION OF
SOUTHEASTERN OHIO
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	17
Corrective Action Plan	18

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Corrections Commission of Southeastern Ohio
Athens County
16678 Wolfe Bennett Road
Nelsonville, Ohio 45764

To the Commission:

We have audited the accompanying financial statements of the Corrections Commission of Southeastern Ohio, Athens County, Ohio (the Commission), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 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.

We were unable to obtain adequate financial records supporting the financial activities of the Commissary Fund for the year ended December 31, 2000, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities represent 100% of the Special Revenue Fund.

As discussed in Note 1, the Commission prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to audit the Commissary Fund for the year ended December 31, 2000, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Corrections Commission of Southeastern Ohio, Athens County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2002, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Commission and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 26, 2002

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Intergovernmental	\$ 2,651,617	\$	\$	\$ 2,651,617
Inmate Deposits		286,330		286,330
Telephone Commissions		92,577		92,577
Earnings on Investments	9,654			9,654
Other Revenue	45,280	3,436	1,097	49,813
	<u>2,706,551</u>	<u>382,343</u>	<u>1,097</u>	<u>3,089,991</u>
Total Cash Receipts	<u>2,706,551</u>	<u>382,343</u>	<u>1,097</u>	<u>3,089,991</u>
Cash Disbursements:				
Current:				
Salaries	1,344,323			1,344,323
Fringe Benefits	442,570			442,570
Travel and Training	12,632			12,632
Supplies and Materials	286,968			286,968
Repairs and Maintenance	9,135			9,135
Inmate Housing:				
Cost of Goods Sold		138,307		138,307
Medical Expenses		131,843		131,843
Refund of Inmate Deposits		78,303		78,303
Contracts - Services	26,433			26,433
Utilities	265,842			265,842
Other	76,335	19,490		95,825
Capital Outlay	74,752			74,752
	<u>2,538,990</u>	<u>367,943</u>	<u>0</u>	<u>2,906,933</u>
Total Cash Disbursements	<u>2,538,990</u>	<u>367,943</u>	<u>0</u>	<u>2,906,933</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>167,561</u>	<u>14,400</u>	<u>1,097</u>	<u>183,058</u>
Fund Cash Balances, January 1	<u>85,261</u>	<u>43,380</u>	<u>2,374</u>	<u>131,015</u>
Fund Cash Balances, December 31	<u>\$ 252,822</u>	<u>\$ 57,780</u>	<u>\$ 3,471</u>	<u>\$ 314,073</u>

The notes to the financial statements are an integral part of this statement.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Intergovernmental	\$ 2,089,522	\$	\$	\$ 2,089,522
Sales		358,231		358,231
Earnings on Investments	15,779			15,779
Other Revenue	15,722		2,374	18,096
	<u>2,121,023</u>	<u>358,231</u>	<u>2,374</u>	<u>2,481,628</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries	1,211,199			1,211,199
Fringe Benefits	411,643			411,643
Travel and Training	11,365			11,365
Supplies and Materials	286,167			286,167
Repairs and Maintenance	17,613			17,613
Inmate Housing:				
Cost of Goods Sold		375,435		375,435
Contracts - Services	43,323			43,323
Utilities	239,636			239,636
Property and Liability Insurance	86,709			86,709
Other	31,972			31,972
Capital Outlay	77,647			77,647
	<u>2,417,274</u>	<u>375,435</u>	<u>0</u>	<u>2,792,709</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(296,251)</u>	<u>(17,204)</u>	<u>2,374</u>	<u>(311,081)</u>
Fund Cash Balances, January 1	<u>381,512</u>	<u>60,584</u>	<u>0</u>	<u>442,096</u>
Fund Cash Balances, December 31	<u><u>\$ 85,261</u></u>	<u><u>\$ 43,380</u></u>	<u><u>\$ 2,374</u></u>	<u><u>\$ 131,015</u></u>

The notes to the financial statements are an integral part of this statement.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Corrections Commission of Southeastern Ohio, Athens County (the Commission), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Commission was established by the Board of County Commissioners of Athens, Hocking, Morgan, and Perry Counties. The Commission is directed by the Sheriff of each participating county, and the presiding Judge of the Court of Common Pleas of each participating county. The Commission was established to use the authority common to the Members to develop, construct, operate and administer a multi-county correctional center to augment county jail programs and facilities.

The Commission's management believes these financial statements present all activities for which the Commission is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Corrections Commission uses fund accounting to segregate cash and investments that are restricted as to use. The Corrections Commission classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Commission had the following Special Revenue Fund:

Commissary Fund - This fund has been established in accordance with Substitute House Bill 480 to account for moneys received from sales to inmates, purchasing of merchandise, and payments for inmate medical expenses. This fund also receipts moneys from "pay-to-stay" fees collected from the inmates.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Corrections Commission is acting in an agency capacity. The Corrections Commission had the following significant Fiduciary Fund:

Unclaimed Monies Fund - This expendable trust fund has been established in accordance with Ohio Rev. Code Section 9.39 and is used to account for monies which have yet to be claimed by the rightful owners. These monies include long-outstanding inmate checks and deposits.

D. Budgetary Process

The Commission is not required to follow the budgetary requirements under Ohio Revised Code Chapter 5705. However, the Commission does perform annual budgetary procedures for the General Fund. Budgets were not developed for the Special Revenue or Fiduciary Funds.

1. Appropriations

The Commission annually approves an appropriation measure and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control. Appropriations carry over at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus fund cash balances as of January 1.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Corrections Commission's basis of accounting.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2000**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Corrections Commission maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$314,073	\$131,015
Total deposits	\$314,073	\$131,015

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, and/or (2) collateralized by securities specifically pledged by the financial institution to the Corrections Commission.

From January through August 2000, depository balances ranging from \$10,569 to \$425,016, were not insured or collateralized, contrary to Ohio law. Depository balances in April, May and July 2001, depository balances ranging from \$11,878 to \$166,628, were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the General Fund for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$2,574,959	\$2,706,551	\$131,592

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,684,650	\$2,538,990	\$145,660

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,232,362	\$2,121,023	(\$111,339)

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2000**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,293,032	\$2,417,274	(\$124,242)

4. RETIREMENT SYSTEMS

The Commission's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Commission contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Commission has paid all contributions required through December 31, 2001.

5. RISK MANAGEMENT

Commercial Insurance

The Commission has obtained commercial insurance for the following risks:

- General liability and casualty
- Public Official's liability
- Vehicle
- Property

The Commission also provides health insurance coverage to full-time employees through a private carrier.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Corrections Commission of Southeastern Ohio
Athens County
16678 Wolfe Bennett Road
Nelsonville, Ohio 45764

To the Commission:

We have audited the accompanying financial statements of the Corrections Commission of Southeastern Ohio, Athens County, Ohio (the Commission), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 26, 2002, wherein we have qualified our opinion regarding the Special Revenue Fund for the year ended December 31, 2000. We conducted our 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.

Compliance

As part of obtaining reasonable assurance about whether the Commission's 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-60705-001 and 2001-60705-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Corrections Commission in a separate letter dated June 26, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-60705-003 through 2001-60705-006.

Corrections Commission of Southeastern Ohio
Athens County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-60705-003 and 2001-60705-004 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Commission in a separate letter dated June 3, 2002.

This report is intended solely for the information and use of management and the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

June 26, 2002

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2001-60705-001

Noncompliance Citation

Ohio Rev. Code Sections 307.93(G) and 753.22(B) states that the management of funds in the Commissary Fund shall be strictly controlled in accordance with procedures adopted by the Auditor of State. These procedures are as follows:

- A Commissary Fund is to be established as a Special Revenue Fund on the books of the Fiscal Officer. Money received from the inmate fund shall be posted to the official accounting records under the classifications "Sales", "Medical", or "Other." Monthly, a pay-in shall be made to the Fiscal Officer of the correctional facility to the credit of the Commissary Fund. A financial statement shall be generated monthly, showing total amount received, total amount expended for the month and balance in the fund year to date. The Commissary Fund was not established as a Special Revenue Fund, money received from the inmates was not posted to the official accounting records under the required classifications, pay-ins were not made to the Fiscal Officer to the credit of the Commissary Fund monthly and financial statements were not generated monthly.
- Inmates are to be provided with pre-numbered ordering forms. One copy should be retained and filed sequentially. A posting should be made on the individual account card reflecting the order number and amount. An accounting of the sequentially numbered unused forms shall be made monthly. Ordering forms were not pre-numbered, filed sequentially, and posted to individual account cards reflecting order number and amount. In addition, no accounting of unused forms was made.
- A cash book is to be maintained showing daily receipts of money collected on behalf of inmates, checks written to the Commissary Fund representing sales for merchandise or medical services, and upon release of the inmate, the checks written for the balance of the account drawn payable to the inmate. The cash book shall be balanced monthly with the depository account and be reviewed by a person other than the person who makes deposits and/or maintains the cash book. In addition, the cash book shall be reconciled with the individual inmate accounts and to the accounts receivable ledger on a monthly basis. A cashbook was not maintained during 2000, and was not balanced during 2001 with the depository account, reviewed by a person other than the person who maintains the cashbook, or reconciled with the individual inmate accounts or accounts receivable ledger on a monthly basis.
- Money received for the inmate's account is to be recorded on duplicate receipts, one copy of which should be retained in the facility's file and filed numerically. All money received is to be credited to the inmate's account and reconciled daily with duplicate receipts, postings to the inmate's ledger cards, and deposits. Each month the inmate shall receive a statement of their inmate account. The statement should indicate the balance in the account and any deposits or purchases made during the month. Duplicate receipts were not filed numerically and money received was not always credited to the inmate's account. Inmates were only given statements of their account upon request, instead of monthly, as required.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2001-60705-001 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Sections 307.93(G) and 753.22(B) (Continued)

- When a deduction of medical expenses is made directly from the inmate's account, a numbered billing be retained and filed numerically in the facility's files. An accounts receivable ledger shall be maintained to account for the cost of requested medical expenses when there is insufficient money in the inmate's individual account at the time the cost is incurred. Billings were not numbered or filed sequentially. In addition, an accounts receivable ledger was not maintained.
- The salary of the person maintaining the commissary cannot be paid from the commissary account; however, if provided for in the policy and procedures established by the institution, an administrative fee may be charged to the Commissary Fund in determining profits. During 2001 and 2000, Corrections Officer Valerie Six, who is not affiliated with the operations of the Commissary, was paid using Commissary funds. This resulted in adjustments against the General Fund in favor of the Commissary fund for years ended December 31, 2001 and 2000 as follows:

	<i>General Fund</i>	<i>Commissary Fund</i>
Increase/(Decrease) in 2001 Expenditures	\$19,994	(\$19,994)
Increase/(Decrease) in December 31, 2001 Fund Balance	(\$19,994)	\$19,994
Increase/(Decrease) in 2000 Expenditures	\$22,711	(\$22,711)
Increase/(Decrease) in December 31, 2000 Fund Balance	(\$22,711)	\$22,711

The financial statements presented in this report reflect these adjustments.

- Monthly inventory records are to be maintained of the merchandise in the commissary. Such records shall show the total dollar value of merchandise on hand at the beginning of each month, merchandise purchased during the month, and merchandise used during the month. A physical inventory shall be taken at the end of each month, priced using the latest cost and compared to the amount calculated on the inventory record for reasonableness. The inventory should be adjusted monthly to the physical inventory count, with significant monthly adjustments investigated and approved by a supervisor. A monthly inventory record was not maintained of the merchandise in the commissary. A physical inventory was not taken at the end of each month.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2001-60705-001 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Sections 307.93(G) and 753.22(B) (Continued)

As a result of noncompliance, the opinion letter included a qualifying paragraph relating to the Commissary Fund for the year ended December 31, 2000 due to the absence of sufficient supporting documentation which would enable the Commission to prepare reliable financial statements based on their assertions of completeness, existence/occurrence, valuation/allocation, rights and obligations and presentation and disclosure.

We recommend that the Commission review Auditor of State Bulletin 97-011 to determine whether the existing policies adopted by the Commission Members are adequate and that all such policies and procedures be placed in operation for the Commissary.

FINDING NUMBER 2001-60705-002

Noncompliance Citation

According to the agreement between the Corrections Commission of Southeast Ohio and Member Counties dated April 30, 1997, the Commission shall be responsible for the cost of only those medical services and security which can be provided by or at the Correctional Center. All expenses for medical services and security which cannot be provided by or at the Correctional Center shall be the responsibility of the Member or non-Member renting available beds which placed the inmate requiring such services. All medical expenses for inmates were paid for by the Commissary Account and, in most cases, no reimbursement was made by the Member or non-Member entities.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2001-60705-002 (Continued)

Noncompliance Citation – Agreement for Reimbursement of Inmate Medical Expenses (Continued)

Based on our review of all medical expenses, the following schedule represents the amounts which, according to the agreement, were not billed to nor reimbursed by both the Member and non-Member entities.

ENTITY	FYE 12/31/00	FYE 12/31/01	TOTAL
Athens County	\$ 36,528.33	\$ 51,557.01	\$ 88,085.34
City of Athens	13,213.55	3,950.03	17,163.58
Village of Chauncey	122.95	0.00	122.95
Village of Corning	136.32	0.00	136.32
Gallia County	0.00	905.44	905.44
Hocking County	7,895.13	18,767.06	26,662.19
Jackson County	393.88	161.07	554.95
City of Logan	1,268.48	2,787.97	4,056.45
Meigs County	315.70	122.85	438.55
Morgan County	15,720.47	17,952.10	33,672.57
City of Nelsonville	1,679.02	1,014.83	2,693.85
Perry County	16,063.36	16,586.28	32,649.64
Pike County	0.00	1,073.02	1,073.02
Vinton County	2,251.70	4,239.34	6,491.04

Since the entities listed above were not notified when inmates received medical treatment outside of the Commission's in-house capacity nor were they billed for these expenses, findings for recovery were not issued for noncompliance with the agreement.

We recommend the Commission review the terms of the agreement relating to reimbursement procedures relating to inmate medical expenses which requires the Member and non-Member entities to reimburse for all medical costs resulting from services provided to the inmates outside of the facility's in-house capacity. In future audit periods, this will result in the issuance of findings for recovery, pursuant to Ohio Rev. Code Section 117.28, against those entities which do not reimburse medical costs associated with their respective inmates.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2001-60705-003

Material Weakness

The Fiscal Officer performed all finance functions relating to the general and payroll accounts, including the physical count of cash receipts, preparation of deposit slips and posting of receipts to the general ledger, as well as preparation of checks and posting of expenditures. While these duties are segregated for the commissary account, reconciliations were infrequent and inaccurate and the account did not reconcile at December 31, 2001 or 2000. In addition, the Commission was not provided with monthly reconciliations for the accounts for review or approval.

The absence of proper monitoring by the Commission, coupled with the lack of segregated duties, restricts the Commission's ability to detect errors or irregularities for an extended period of time.

We recommend the bank reconciliations for all accounts be presented to the Commission each month for review and approval. Unsupported adjusting items should be scrutinized and an acceptable explanation should be obtained. Furthermore, the Commission's review and approval should be evidenced by the signature of at least one member of the Commission.

FINDING NUMBER 2001-60705-004

Material Weakness

The Finance Officer maintains carryover appropriations in a separate account called 'Contingency'. During the year, funds are either moved out of this account to increase appropriations in other accounts or the expenditures are paid directly from the 'Contingency' account. In addition, there was no evidence that the amounts in 'Contingency' at the beginning or end of each year was communicated to the Commission.

This resulted in significant deviations from the Commission's budgets and concealed funds available for expenditure which prevented the Commission from making informed decisions. Finally, this lead to increased audit costs resulting from several reclassifying entries to report certain expenditures in a manner which would not mislead the user of the financial statements.

We recommend the Commission appropriate all available funds each year to the appropriate expenditure accounts and eliminate the Finance Officer's autonomy in appropriating and expending funds. If such an excess remains at year end and the Commission does not want to make it entirely available for current expenditures, we recommend they leave it unappropriated. If, during the year, additional funds are required to cover expenses, the Commission can increase appropriations to the specific account and reduce the amounts remaining in the unappropriated funds by the same amount.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2001-60705-005

Reportable Condition

Of the expenditure transactions examined for 2000, 84% were not properly encumbered prior to obligation and 21% were not approved by the Executive Director. For 2001, 54% were not properly encumbered prior to obligation and 86% were not approved by the Executive Director. Obligations incurred prior to the Fiscal Officer's certification can result in deficit spending.

The Fiscal Officer should ensure that no orders or contracts involving the expenditure of money be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. As an additional control, all purchase orders should be reviewed and signed as approved by the Executive Director.

While the Commission is not subject to the budgetary requirements of Ohio Rev. Code Section 5705, they have made it a practice to utilize purchase orders for all purchases. This being the case, we recommend that the Fiscal Officer certify that the amount required for each order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Furthermore, we recommend that all purchase orders be reviewed and signed as approved by the Executive Director.

FINDING NUMBER 2001-60705-006

Reportable Condition

Currently, the Commission requires only one signature on checks. The person signing the checks also posts the transactions to the ledgers and performs the bank reconciliation. This practice exposes the Commission to losses due to errors and irregularities which would be difficult to detect in a timely manner.

We recommend the Commission adopt a policy requiring the signatures of both the Fiscal Officer and the Executive Director on all checks written for more than \$500 from the general and payroll accounts. We recommend the checks written for more than \$500 from the commissary account be signed by both the Commissary Clerk and the Executive Director.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-60705-001	Ohio Revised Code Sections 307.93(G) and 753.22(B): The management of funds in the Commissary Fund	No	Repeated as Finding Number 2001-60705-001 for years ended December 31, 2001 and 2000
1999-60705-002	Failure to approve and prior certification of expenditures	No	Repeated as Finding Number 2001-60705-002 for years ended December 31, 2001 and 2000

**CORRECTIONS COMMISSION OR SOUTHEASTERN OHIO
ATHENS COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 AND 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<p>2001-60705-001</p> <p>Regarding the adjustment relating to unallowable salary expenditures made from the Commissary Fund.</p>	<p>The Commission will make an adjustment to the January 1, 2002 fund balances. The Commission further intends to adopt a policy specifying an allocation plan for administrative costs which will be paid from the Commissary Fund to the General Fund at intervals specified by the policy.</p>	<p>The adjustment was made by the Fiscal Officer on June 26, 2002.</p> <p>The Commission expects to draft this policy prior to the July, 2002 meeting, at which time it is expected to be adopted.</p>	<p>Garry Hunter, Legal Counsel for the Commission</p>
<p>2001-60705-002 through 2001-60705-005</p>	<p>As of June 26, 2002, the Commission had not determined a specific corrective action plan for these findings.</p>	<p>No set date.</p>	<p>Vicki Adams, Fiscal Officer</p>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2002**