



**Auditor of State
Betty Montgomery**

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

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**Auditor of State
Betty Montgomery**

Corrections Commission of Southeastern Ohio
Athens County
16677 Riverside Drive
Nelsonville, Ohio 45764

To the Corrections Commission:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 14, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Corrections Commission of Southeastern Ohio
Athens County
16677 Riverside Drive
Nelsonville, Ohio 45764

To the Corrections 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, 2005 and 2004. 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.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 described more fully in Note 1, the Commission has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Commission to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to aggregate its smaller (i.e., nonmajor) funds for 2005 and 2004. While the Commission does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Commission has elected not to reformat its statements. Since the Commission does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2005 and 2004 or their changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Corrections Commission of Southeastern Ohio, Athens County, Ohio, as of December 31, 2005 and 2004, and the related combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Commission to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Commission has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 14, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Total All Funds</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Agency Funds</u>	
Cash Receipts:					
Housing of Prisoners	\$ 3,530,942	\$	\$	\$	\$ 3,530,942
Intergovernmental	10,600	4,653			15,253
Telephone Commissions		109,440			109,440
Sales		231,402			231,402
Earnings on Investments	2,444				2,444
Other Revenue	5,384	7,437	5,695	388,038	406,554
Total Cash Receipts	<u>3,549,370</u>	<u>352,932</u>	<u>5,695</u>	<u>388,038</u>	<u>4,296,035</u>
Cash Disbursements:					
Current:					
Salaries	1,706,096				1,706,096
Fringe Benefits	771,786				771,786
Travel and Training	28,168				28,168
Supplies & Materials	338,315	5,438			343,753
Repairs & Maintenance	48,518				48,518
Inmate Housing:					
Cost of Goods Sold		172,688			172,688
Medical Expenses		168,195			168,195
Contract Services	263,821	4,184			268,005
Utilities	307,901				307,901
Property & Liability Insurance	88,470				88,470
Other Expenditures	468	937	1,662	389,228	392,295
Total Cash Disbursements	<u>3,553,543</u>	<u>351,442</u>	<u>1,662</u>	<u>389,228</u>	<u>4,295,875</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(4,173)	1,490	4,033	(1,190)	160
Fund Cash Balances, January 1	<u>133,857</u>	<u>25,800</u>	<u>13,961</u>	<u>4,821</u>	<u>178,439</u>
Fund Cash Balances, December 31	<u>\$ 129,684</u>	<u>\$ 27,290</u>	<u>\$ 17,994</u>	<u>\$ 3,631</u>	<u>\$ 178,599</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, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Total All Funds</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Agency Funds</u>	
Cash Receipts:					
Housing of Prisoners	\$ 2,602,310	\$	\$	\$	\$ 2,602,310
Intergovernmental	15,000	10,724			25,724
Telephone Commissions		108,708			108,708
Sales		236,045			236,045
Earnings on Investments	2,745				2,745
Other Revenue	25,614	355	3,907	359,002	388,878
	<u>2,645,669</u>	<u>355,832</u>	<u>3,907</u>	<u>359,002</u>	<u>3,364,410</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Salaries	1,653,208				1,653,208
Fringe Benefits	598,041				598,041
Travel and Training	17,110				17,110
Supplies & Materials	302,358	7,509			309,867
Repairs & Maintenance	36,601				36,601
Administration		22,500			22,500
Inmate Housing:					
Cost of Goods Sold		142,449			142,449
Medical Expenses		170,890			170,890
Contract Services	105,147	3,732			108,879
Utilities	252,667				252,667
Property & Liability Insurance	82,762				82,762
Other Expenditures	7,437	1,501	996	358,645	368,579
	<u>3,055,331</u>	<u>348,581</u>	<u>996</u>	<u>358,645</u>	<u>3,763,553</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	(409,662)	7,251	2,911	357	(399,143)
Fund Cash Balances, January 1, as restated (See Note 2)	543,519	18,549	11,050	4,464	577,582
Fund Cash Balances, December 31	<u>\$ 133,857</u>	<u>\$ 25,800</u>	<u>\$ 13,961</u>	<u>\$ 4,821</u>	<u>\$ 178,439</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, 2005 AND 2004**

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Commission recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State requires.

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.

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 Commission is acting in an agency capacity. The Commission had the following significant Fiduciary Funds:

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Fiduciary Funds (Trust and Agency Funds) (Continued)

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.

Inmate Fund – This Agency Fund has been established to account for monies held on behalf of inmates while they are incarcerated.

Employee Special Fund – This Agency Fund has been established to account for monies held on behalf of employees.

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 lapse at year end. The Commission did not use the encumbrance method to account for unpaid obligations.

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 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Commission records acquisitions of property, plant, and equipment as capital project disbursements when paid. The financial statements do not report these items as assets.

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 basis of accounting the Commission uses.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. PRIOR PERIOD ADJUSTMENT

The Commission included the balance of the employee payroll withholding fund in the General Fund balance at December 31, 2003. Since this is merely a holding fund between the date of withholding to the date of remittance, this balance and any activity within this fund is not considered to belong to the General Fund. In addition, a prior audit adjustment was inadvertently posted in reverse. The net effect of these two items on the January 1, 2004 General Fund cash balance is as follows:

	As of December 31, 2003	Prior Period Adjustment	January 1, 2004, As Restated
General Fund Cash Balance	\$558,041	(\$14,522)	\$543,519

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,248,963	\$3,549,370	\$300,407
Special Revenue	0	352,932	352,932
Expendable Trust Fund	0	5,695	5,695
Total	\$3,248,963	\$3,907,997	\$659,034

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,486,213	\$3,553,543	(\$67,330)
Special Revenue	0	351,442	(351,442)
Expendable Trust Fund	0	1,662	(1,662)
Total	\$3,486,213	\$3,906,647	(\$420,434)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,918,899	\$2,645,669	(\$273,230)
Special Revenue	0	355,832	355,832
Expendable Trust Fund	0	3,907	3,907
Total	\$2,918,899	\$3,005,408	\$86,509

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,272,799	\$3,055,331	\$217,468
Special Revenue	0	348,581	(348,581)
Expendable Trust Fund	0	996	(996)
Total	\$3,272,799	\$3,404,908	(\$132,109)

4. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$178,599	\$178,439

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

From January through July and November 2005, depository balances ranging from \$15,898 to \$459,725, were not insured or collateralized, contrary to Ohio law.

5. RETIREMENT SYSTEM

The Commission's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Commission contributed an amount equal to 13.55 percent of participants' gross salaries. The Commission has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

The Commission has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Corrections Commission of Southeastern Ohio
Athens County
16677 Riverside Drive
Nelsonville, Ohio 45764

To the Corrections Commission:

We have audited the financial statements of the Corrections Commission of Southeastern Ohio, Athens County, Ohio (the Commission), as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated August 14, 2006, wherein we noted the Board follows accounting practices the Auditor of State permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2004-004.

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 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, we believe reportable conditions 2004-001 through 2004-004 described above to be material weaknesses. In a separate letter to the Commission's management dated August 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Commission's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 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 2005-001 and 2005-002. In a separate letter to the Commission's management dated August 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and the Commission. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 14, 2006

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. Subsection (A) states, in part, that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided under Sections 149.38 to 149.52 of the Ohio Revised Code.

Throughout the audit, we noted several records which could not be located or were not maintained. These records included:

- 2005 Employer's Quarterly Federal Tax Returns (Form 941's);
- 2004 and 2005 Employer's Monthly State Tax Returns (IT-4's);
- City of Nelsonville City Tax Remittance Reports;
- Bank statements and cancelled checks for the General Account for January, February and November 2004;
- Bank statements and cancelled checks for the Commissary Special Revenue Account for January and February 2004 and September 2005;
- Bank statements and cancelled checks for the Commissary Inmate Account for January and February 2004 and July 2005;
- Inmate Medical Billing Forms;
- Commissary Forms for purchases;
- Pay-ins Book for the period February 24, 2005 through March 21, 2005.

In addition to the missing pay-in book listed above, we noted that the pay-ins were not pre-numbered and several receipts did not have a corresponding pay-in.

Without adequate supporting documentation, disputes over whether payroll withholding or remittances can result in the overpayment or underpayment of these taxes, as well as the assessment of penalties and interest by the taxing agency. In addition, failure to maintain records such as bank statements, cancelled checks and pay-ins can prevent the Commission from investigating errors or irregularities. Finally, disputes over inmate account charges or credits cannot be disputed without supporting records relating to inmate purchases and treatment.

We recommend the Commission establish guidelines and policies for the proper maintenance of public records. These guidelines should be communicated to all employees in the fiscal office, commissary office and in booking. In addition, we recommend the Fiscal Office establish a filing system to prevent the loss of records in the future.

Client's Response:

The Fiscal Officer is currently in the process of setting up a filing system which would prevent the loss or destruction of records. In addition, she is going back through payroll withholding reporting and remittances to ensure all such reports and remittances are correct and up-to-date.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code Sections 307.93(F)(2) and 753.22(B) require the management of funds in the Commissary Fund shall be strictly controlled in accordance with procedures adopted by the Auditor of State. As outlined in Auditor of State Bulletin 97-011, 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.
 - While the Commissary Fund was established as a Special Revenue Fund in the accounting system, no activity was posted 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 the audit period, nor was it balanced during the audit period 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.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-002 (Continued)

**Noncompliance Citation/Material Weakness - Ohio Rev. Code Sections 307.93(F)(2) and 753.22(B)
(Continued)**

- 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 always filed numerically.
- 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. In addition, there are significant receivables relating to medical treatment from the inmates.

As a result of the above items, the Commissary Inmate account was not reconciled to the depository since 2001. The Commissary Special Revenue Fund had adequate funds to cover these expenses in the past due to the improper posting of Telephone Commissions to that fund. However, in 2006, the Commission began properly crediting these commissions to the General Fund. If this had been the practice during 2004 and 2005, the Commissary Special Revenue Fund would have reported negative fund balances of \$82,908 and \$82,250 at December 31, 2004 and 2005, respectively. Since the Commission never acted on this issue from prior audits, they were unable to identify and monitor these problems.

We recommend 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.

Client's Response:

While the Warden agrees that significant changes need to be implemented over Commissary accounting practices, he takes exception to the requirement relating to the pre-numbered inmate order forms. Inmates will take order forms whether they intend to order or not and either use the forms for other purposes or throw them away. Due to this, he believes it would still be impossible to account for all forms and would not provide any more assurances over completeness than using order forms that are not pre-numbered. In addition, the financial activity of the Commissary Special Revenue Fund has been entered to the accounting system in 2006 and reconciles to the depository to date. While the fiscal office is taking steps to do so, the Commissary Inmate Fund has not yet been established in the accounting system, nor does it reconcile with the depository at this time.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-003

Material Weakness

Per AU 319.66-4, "An active board of directors, through direct oversight or through oversight via its various committees, is an important element of the control environment. Properly focused, the board of directors and its committees can provide some degree of assurance that fundamental problems concerning accounting and financial reporting policies and practices are not ignored. The board of directors' audit committee usually consists of nominating the independent auditor and reviewing the scope of the results of the audit. Selection of an audit committee can enhance the independence of the auditor, because the auditor can request the audit committee to encourage management to cooperate more fully, if necessary, when difficult problems are encountered."

Although the Commission Chair signed the monthly financial reports as reviewed, the reports included only General Fund information and did not provide enough detail for the Commission to determine whether errors or irregularities had occurred.

We recommend all financial activity be included in the accounting system and the Fiscal Officer provide the Commission or the Fiscal/Audit Committee with the appropriations ledger and receipts ledger on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Commission.

Client's Response:

The Commission has established a Finance/Audit Committee in 2006 and is currently working on addressing these issues.

FINDING NUMBER 2005-004

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should also plan for adequate segregation of duties or compensating controls, verify the existence and valuation of assets and liabilities, and periodically reconcile them to the accounting records.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-004 (Continued)

Material Weakness (Continued)

The Fiscal Officer performed all finance functions relating to the general, payroll, special revenue commissary, unclaimed monies, and employee special accounts, including the physical count of cash receipts, preparation of deposit slips and posting of receipts to the general ledger (general and payroll accounts only), as well as preparation of checks and posting of expenditures (general and payroll accounts only).

The Commission was not provided with monthly reconciliations for the accounts for review or approval. We also noted that the Commissary Account, the Unclaimed Monies Account, the "Special Account" and the Inmate Account financial records were not maintained on the Commission's computerized accounting system, which was implemented during 2003. The lack of recording such information in the Commission's formalized accounting records allowed errors and/or irregularities to occur.

We recommend the bank reconciliations for all accounts be presented to the Finance/Audit Committee each month for review and approval. Significant reconciling items should be reviewed to ensure that they are properly documented and supported. Furthermore, the Commission's review and approval for bank reconciliations should be evidenced by the signature of at least one member of the Committee. We also recommend that all financial activity for all accounts of the Commission be accounted for on the Commission's computerized accounting system.

Client's Response:

The Fiscal Officer and Warden stated that all funds, except for the Commissary Inmate Fund, have been entered to the accounting system, reconciled with the bank and are presented to the Finance/Audit Committee each month as of July 2006.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	A material weakness was issued regarding the omission of funds in the accounting system and a lack of segregation of duties.	No	Not Corrected: This issue is repeated in the current audit as Finding 2005-004.



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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
OCTOBER 12, 2006**