

CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002



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**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Corrections Commission of Southeastern Ohio  
16678 Wolfe Bennett Road  
Nelsonville, Ohio 45764

We have reviewed the Independent Auditor's Report of the Corrections Commission of Southeastern Ohio, Athens County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Corrections Commission of Southeastern Ohio is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 11, 2005

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**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

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**Independent Auditors- Report**

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, 2003 and 2002. 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 audits.

We conducted our audits 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 we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

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 accounting principles generally accepted in the United States of America.

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 as of December 31, 2003 and 2002, 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 November 5, 2004, 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 the audits.

This report is intended solely for the information and use of the management, 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.

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.

November 5, 2004

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

|                                                     | <u>Governmental Fund Types</u> |                            | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|-----------------------------------------------------|--------------------------------|----------------------------|--------------------------------|-----------------------------------------|
|                                                     | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Expendable<br/>Trust</u>    |                                         |
| <b>Cash Receipts:</b>                               |                                |                            |                                |                                         |
| Housing of Prisoners                                | \$ 3,343,830                   | \$0                        | \$0                            | \$ 3,343,830                            |
| Intergovernmental                                   | 12,000                         | -                          | -                              | 12,000                                  |
| Telephone Commissions                               | -                              | 92,766                     | -                              | 92,766                                  |
| Sales                                               | -                              | 204,944                    | -                              | 204,944                                 |
| Earnings on Investments                             | 2,746                          | -                          | -                              | 2,746                                   |
| Other Revenue                                       | 46,699                         | 107                        | 5,469                          | 52,275                                  |
| <br>                                                |                                |                            |                                |                                         |
| Total Cash Receipts                                 | 3,405,275                      | 297,817                    | 5,469                          | 3,708,561                               |
| <b>Cash Disbursements:</b>                          |                                |                            |                                |                                         |
| Current:                                            |                                |                            |                                |                                         |
| Salaries                                            | 1,627,271                      | -                          | -                              | 1,627,271                               |
| Fringe Benefits                                     | 624,754                        | -                          | -                              | 624,754                                 |
| Travel and Training                                 | 13,251                         | -                          | -                              | 13,251                                  |
| Supplies and Materials                              | 303,043                        | -                          | -                              | 303,043                                 |
| Repairs and Maintenance                             | 73,282                         | -                          | -                              | 73,282                                  |
| Administration                                      | -                              | 22,500                     | -                              | 22,500                                  |
| Inmate Housing:                                     |                                |                            |                                |                                         |
| Cost of Goods Sold                                  | -                              | 140,901                    | -                              | 140,901                                 |
| Medical Expenses                                    | -                              | 172,853                    | -                              | 172,853                                 |
| Contracts - Services                                | 133,888                        | 8,985                      | -                              | 142,873                                 |
| Utilities                                           | 279,235                        | -                          | -                              | 279,235                                 |
| Property and Liability Insurance                    | 34,082                         | -                          | -                              | 34,082                                  |
| Other                                               | 36,789                         | 873                        | 652                            | 38,314                                  |
| Capital Outlay                                      | 18,674                         | -                          | -                              | 18,674                                  |
| <br>                                                |                                |                            |                                |                                         |
| Total Cash Disbursements                            | 3,144,269                      | 346,112                    | 652                            | 3,491,033                               |
| <br>                                                |                                |                            |                                |                                         |
| Total Cash Receipts Over/(Under) Cash Disbursements | 261,006                        | (48,295)                   | 4,817                          | 217,528                                 |
| <br>                                                |                                |                            |                                |                                         |
| Fund Cash Balances, January 1                       | 297,035                        | 66,846                     | 6,232                          | 370,113                                 |
| <br>                                                |                                |                            |                                |                                         |
| Fund Cash Balances, December 31                     | \$ 558,041                     | \$ 18,551                  | \$ 11,049                      | \$ 587,641                              |

*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 FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|                                                                                                                                       | <u>Governmental Fund Types</u> |                            | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|--------------------------------|-----------------------------------------|
|                                                                                                                                       | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Expendable<br/>Trust</u>    |                                         |
| <b>Cash Receipts:</b>                                                                                                                 |                                |                            |                                |                                         |
| Housing of Prisoners                                                                                                                  | \$ 2,980,135                   | \$ -                       | \$ -                           | \$ 2,980,135                            |
| Intergovernmental                                                                                                                     | 11,000                         | -                          | -                              | 11,000                                  |
| Telephone Commissions                                                                                                                 | -                              | 32,122                     | -                              | 32,122                                  |
| Sales                                                                                                                                 | -                              | 285,138                    | -                              | 285,138                                 |
| Earnings on Investments                                                                                                               | 5,688                          | -                          | -                              | 5,688                                   |
| Other Revenue                                                                                                                         | 44,487                         | 261                        | 3,586                          | 48,334                                  |
|                                                                                                                                       | <u>3,041,310</u>               | <u>317,521</u>             | <u>3,586</u>                   | <u>3,362,417</u>                        |
| <b>Total Cash Receipts</b>                                                                                                            |                                |                            |                                |                                         |
|                                                                                                                                       | <u>3,041,310</u>               | <u>317,521</u>             | <u>3,586</u>                   | <u>3,362,417</u>                        |
| <b>Cash Disbursements:</b>                                                                                                            |                                |                            |                                |                                         |
| Current:                                                                                                                              |                                |                            |                                |                                         |
| Salaries                                                                                                                              | 1,516,383                      | -                          | -                              | 1,516,383                               |
| Fringe Benefits                                                                                                                       | 513,052                        | -                          | -                              | 513,052                                 |
| Travel and Training                                                                                                                   | 15,937                         | -                          | -                              | 15,937                                  |
| Supplies and Materials                                                                                                                | 300,443                        | -                          | -                              | 300,443                                 |
| Repairs and Maintenance                                                                                                               | 32,984                         | -                          | -                              | 32,984                                  |
| Administration                                                                                                                        | 6,718                          | 22,500                     | -                              | 29,218                                  |
| Inmate Housing:                                                                                                                       |                                |                            |                                |                                         |
| Cost of Goods Sold                                                                                                                    | -                              | 144,085                    | -                              | 144,085                                 |
| Medical Expenses                                                                                                                      | -                              | 127,521                    | -                              | 127,521                                 |
| Contracts - Services                                                                                                                  | 113,334                        | 12,219                     | -                              | 125,553                                 |
| Utilities                                                                                                                             | 248,469                        | -                          | -                              | 248,469                                 |
| Property and Liability Insurance                                                                                                      | 83,147                         | -                          | -                              | 83,147                                  |
| Other                                                                                                                                 | 20,143                         | 3,778                      | 825                            | 24,746                                  |
| Capital Outlay                                                                                                                        | 141,647                        | -                          | -                              | 141,647                                 |
|                                                                                                                                       | <u>2,992,257</u>               | <u>310,103</u>             | <u>825</u>                     | <u>3,303,185</u>                        |
| <b>Total Cash Disbursements</b>                                                                                                       |                                |                            |                                |                                         |
|                                                                                                                                       | <u>2,992,257</u>               | <u>310,103</u>             | <u>825</u>                     | <u>3,303,185</u>                        |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>                                                                            | <u>49,053</u>                  | <u>7,418</u>               | <u>2,761</u>                   | <u>59,232</u>                           |
| <b>Other Financing Receipts/(Disbursements):</b>                                                                                      |                                |                            |                                |                                         |
| Transfers-In                                                                                                                          | -                              | 4,840                      | -                              | 4,840                                   |
| Transfers-Out                                                                                                                         | (4,840)                        | -                          | -                              | (4,840)                                 |
|                                                                                                                                       | <u>(4,840)</u>                 | <u>4,840</u>               | <u>-</u>                       | <u>-</u>                                |
| <b>Total Other Financing Receipts/(Disbursements)</b>                                                                                 |                                |                            |                                |                                         |
|                                                                                                                                       | <u>(4,840)</u>                 | <u>4,840</u>               | <u>-</u>                       | <u>-</u>                                |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over/(Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | 44,213                         | 12,258                     | 2,761                          | 59,232                                  |
| <b>Fund Cash Balances, January 1 (As Restated - See Note 5)</b>                                                                       | <u>252,822</u>                 | <u>54,588</u>              | <u>3,471</u>                   | <u>310,881</u>                          |
| <b>Fund Cash Balances, December 31</b>                                                                                                | <u>\$ 297,035</u>              | <u>\$ 66,846</u>           | <u>\$ 6,232</u>                | <u>\$ 370,113</u>                       |

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

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

|                                                                                    | <u><b>Fiduciary<br/>Fund Type</b></u> |
|------------------------------------------------------------------------------------|---------------------------------------|
|                                                                                    | <u><b>Agency</b></u>                  |
| Non-operating Cash Receipts                                                        | 316,392                               |
| Non-operating Cash Disbursements                                                   | <u>333,635</u>                        |
| Total Non-operating Cash Receipts Over/(Under)<br>Non-operating Cash Disbursements | (17,243)                              |
| Fund Cash Balances, January 1                                                      | <u>21,707</u>                         |
| Fund Cash Balances, December 31                                                    | <u>\$ 4,464</u>                       |

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

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|                                                                              | <b>Fiduciary<br/>Fund Type</b> |
|------------------------------------------------------------------------------|--------------------------------|
|                                                                              | <b>Agency</b>                  |
| Non-operating Cash Receipts                                                  | \$233,361                      |
| Non-operating Cash Disbursements                                             | 214,846                        |
| Non-operating Cash Receipts Over/(Under)<br>Non-operating Cash Disbursements | 18,515                         |
| Fund Cash Balances, January 1 (As Restated - See Note 5)                     | 3,192                          |
| Fund Cash Balances, December 31                                              | \$ 21,707                      |

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Corrections Commission of Southeastern Ohio (Commission), Athens County, 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 Commission uses fund accounting to segregate cash and investments that are restricted as to use. The 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, 2003 AND 2002**

**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 Commission is acting in an agency capacity. The Commission had the following fiduciary funds:

*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.

**E. 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.

**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 2003 and 2002 budgetary activity appears in Note 3.

**F. 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.

**G. 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 Commission's basis of accounting.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The 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:

|                 | 2003      | 2002      |
|-----------------|-----------|-----------|
| Demand deposits | \$592,105 | \$391,820 |
| Total deposits  | \$592,105 | \$391,820 |

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Commission. As of December 31, 2003 and 2002, the Commission had cash balances of \$446,364 and \$634,604 respectively. Of these balances as of December 31, 2003 and 2002, \$117,835 and \$111,386 were covered by FDIC and the remaining balances were covered by specific collateral pledged by the financial institution to the Commission.

In January, April and May 2002, depository balances of \$29,262, \$247,797 and \$106,243, were not insured or collateralized, contrary to Ohio law. In November, 2003, depository balances of \$180,855, were not insured or collateralized, contrary to Ohio law.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

| 2003 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$3,282,632          | \$3,405,275        | \$122,643 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General                                               | \$3,398,269                | \$3,144,269               | \$254,000 |

| 2002 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$3,211,397          | \$3,041,310        | (\$170,087) |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type                                             | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General                                               | \$3,191,532                | \$2,997,097               | \$194,435 |

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**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 2003 and 2002, members of PERS contributed 8.5% of their gross salaries. The Commission contributed an amount equal to 13.55% of participants' gross salaries. The Commission has paid all contributions required through December 31, 2003.

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Commission has obtained commercial insurance for the following risks:

- General liability and casualty
- Public Officials liability
- Vehicle
- Property

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

**5. RESTATEMENT OF FUND BALANCES**

The Commission restated its December 31, 2001 ending fund balances for the reclassification of its Inmate Fund from the Commissary Special Revenue Fund to an Agency Fund. The restatements had the following effects on fund balance:

|                      | Balance<br>As of<br><u>12/31/01</u> | <u>Reclassification</u> | Restated<br>Balance<br>as of<br><u>01/01/02</u> |
|----------------------|-------------------------------------|-------------------------|-------------------------------------------------|
| Special Revenue Fund | \$57,780                            | (\$3,192)               | \$54,588                                        |
| Agency Fund          | \$ -0-                              | \$3,192                 | \$3,192                                         |

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Ohio Society of Certified Public Accountants

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *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, 2003 and 2002, and have issued our report thereon dated November 5, 2004. 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 no instance of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Commission in a separate letter dated November 5, 2004.

**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 2003-001.



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 item *2003-001* to be a material weakness.

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

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.

November 5, 2004

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Reportable Condition/Material Weakness**

The Fiscal Officer performs 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 Employees 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 could lead to errors and irregularities occurring and not being detected in a timely manner. This situation also resulted in the Commission not having necessary financial information in a timely manner related to the accounts previously mentioned.

The absence of proper monitoring by the Commission, coupled with the lack of segregated duties, could result in errors or irregularities occurring and not being detected in a timely manner.

We recommend the bank reconciliations for all accounts be presented to the Commission 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 Commission.

We also recommend that all financial activity for all accounts of the Commission be accounted for on the Commission's computerized accounting system.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

| Finding Number | Finding Summary                                                                                                                                       | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>                                                                                                                                               |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2001-60705-001 | Ohio Revised Code Section 307.93(G) and 753.22(B): The Management of funds in the Commissary Fund                                                     | No               | Partially corrected for years ended December 31, 2003 and 2002. Uncorrected items are addressed in the management letter.                                                                                                                                                      |
| 2001-60705-002 | Noncompliance with the agreement between the Commission and Member Counties related to medical expenses being paid and not being properly reimbursed. | Yes              |                                                                                                                                                                                                                                                                                |
| 2001-60705-003 | Lack of segregation of duties and lack of proper monitoring by the Commission.                                                                        | No               | Partially corrected for years ended December 31, 2003 and 2002. Monitoring of general and payroll accounts was implemented; however, there is no monitoring of Commissary, Inmate, or Unclaimed Monies by the Commission. Uncorrected items are addressed as finding 2003-001. |
| 2001-60705-004 | Use of a "Contingency" account with no budgetary approval of expenditures from this account.                                                          | No               | Partially corrected for years ended December 31, 2003 and 2002. The Commission has significantly reduced the use of the "Contingency" account. Certain uncorrected items are addressed in the management letter.                                                               |
| 2001-60705-005 | Not properly encumbering purchases.                                                                                                                   | No               | Partially corrected for years ended December 31, 2003 and 2002. The Commission has attempted to utilize encumbrances for control purposes; however, the Commissary Fund did not use purchase orders. This item is addressed in the management letter.                          |
| 2001-60705-006 | The Commission only requires one signature on checks.                                                                                                 | No               | We addressed this matter as a recommendation in the management letter.                                                                                                                                                                                                         |

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2003 AND 2002**

| Finding Number | Planned Corrective Action                                                                                                                                                                                                                                                                                                 | Anticipated Completion Date                                                                                                                                                    | Responsible Contact Person  |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 2003-001       | The Commission plans to computerize all of the funds effective with the fiscal year beginning January 1, 2005.<br><br>As of November 5, 2004 the Commission had not determined a specific correction action plan for the review and approval of the bank reconciliations to compensate for lack of segregation of duties. | January 1, 2005 for computerization of all of the Commission's funds.<br><br>No set date for the review and approval of bank reconciliations and segregation of duties issues. | Vicki Adams, Fiscal Officer |



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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  
FEBRUARY 10, 2005**