



**Auditor of State
Betty Montgomery**

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Funds – For the Year Ended June 30, 2004	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Funds – For the Year Ended June 30, 2003	4
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances Ohio Department of Rehabilitation and Corrections Fund For the Year Ended June 30, 2002.....	5
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Stark Regional Community Correction Center
Stark County
4433 Lesh Street N E
Louisville, OH 44641

To the Judicial Corrections Board:

We have audited the accompanying financial statements of the Stark Regional Community Correction Center, Stark County, Ohio, (the Center) as of and for the years ended June 30, 2004, 2003 and 2002. These financial statements are the responsibility of the Center'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 *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.

As discussed in Note 1, the Center 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.

The financial statement for 2002 presents only the receipts, disbursements and cash balances related to State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Center. This statement is not intended to present the cash receipts, disbursements and balances of all Center funds for the year ended June 30, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the Stark Regional Community Correction Center as of June 30, 2004 and 2003 and State Appropriations cash balances as of June 30, 2002, and the related 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 March 14, 2005, on our consideration of the Center'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Stark Regional Community Correction Center
Stark County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Judicial Corrections Board, the Ohio Department of Rehabilitations and Corrections 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 14, 2005

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>State Appropriations and Grants</u>			<u>Offender Fund</u>	
	ODRC 501-501	Federal	Capital Projects	Resident Fund	Totals
Cash Receipts:					
Intergovernmental	\$ 3,245,911	\$ 127,409	\$ 15,000	\$ -	\$ 3,388,320
Receipts for Offenders	-	-	-	26,803	26,803
Collections from Offenders	-	-	-	3,610	3,610
Other	984	-	-	-	984
	<u>3,246,895</u>	<u>127,409</u>	<u>15,000</u>	<u>30,413</u>	<u>3,419,717</u>
Total Cash Receipts					
	<u>3,246,895</u>	<u>127,409</u>	<u>15,000</u>	<u>30,413</u>	<u>3,419,717</u>
Cash Disbursements:					
Personnel	2,393,823	89,330	-	-	2,483,153
Operating costs	691,902	34,478	-	-	726,380
Program costs	180,375	-	-	-	180,375
Equipment	69,996	-	-	-	69,996
Capital Projects	-	-	15,000	-	15,000
Offender Disbursements:					
Offender personal costs	-	-	-	23,902	23,902
Offender recreational costs	-	-	-	6,606	6,606
Offender program operating costs	-	-	-	8,998	8,998
	<u>3,336,096</u>	<u>123,808</u>	<u>15,000</u>	<u>39,506</u>	<u>3,514,410</u>
Total Cash Disbursements					
	<u>3,336,096</u>	<u>123,808</u>	<u>15,000</u>	<u>39,506</u>	<u>3,514,410</u>
Refund to ODRC	3,845	-	-	-	3,845
	<u>3,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,845</u>
Total Receipts Over/(Under) Disbursements	<u>(93,046)</u>	<u>3,601</u>	<u>-</u>	<u>(9,093)</u>	<u>(98,538)</u>
Fund Cash Balances, July 1, 2003	819,049	9,282	699	12,081	841,111
	<u>819,049</u>	<u>9,282</u>	<u>699</u>	<u>12,081</u>	<u>841,111</u>
Fund Cash Balances, June 30, 2004	\$ 726,003	\$ 12,883	\$ 699	\$ 2,988	\$ 742,573
	<u>\$ 726,003</u>	<u>\$ 12,883</u>	<u>\$ 699</u>	<u>\$ 2,988</u>	<u>\$ 742,573</u>
Unpaid Obligations/Open Purchase Orders	\$ 667,316	\$ 2,388	\$ 54,880		\$ 724,584
	<u>\$ 667,316</u>	<u>\$ 2,388</u>	<u>\$ 54,880</u>		<u>\$ 724,584</u>

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>State Appropriations and Grants</u>			<u>Offender Fund</u>	
	<u>ODRC 501-501</u>	<u>Federal</u>	<u>Capital Projects</u>	<u>Resident Fund</u>	<u>Totals</u>
Cash Receipts:					
Intergovernmental	\$ 3,088,480	\$ 76,000	\$ -	\$ -	\$ 3,164,480
Receipts for Offenders	-	-	-	25,310	25,310
Collections from Offenders	-	-	-	1,777	1,777
Contributions and Donations	1,046	-	-	5,000	6,046
	<u>3,089,526</u>	<u>76,000</u>	<u>-</u>	<u>32,087</u>	<u>3,197,613</u>
Total Cash Receipts	3,089,526	76,000	-	32,087	3,197,613
Cash Disbursements:					
Personnel	2,149,996	63,277	-	-	2,213,273
Operating costs	527,153	12,723	-	-	539,876
Program costs	136,317	-	-	-	136,317
Equipment	283,102	-	-	-	283,102
Capital Projects	-	-	6,329	-	6,329
Offender Disbursements:					
Offender personal costs	-	-	-	14,493	14,493
Offender recreational costs	-	-	-	4,461	4,461
Offender program operating costs	-	-	-	9,553	9,553
	<u>3,096,568</u>	<u>76,000</u>	<u>6,329</u>	<u>28,507</u>	<u>3,207,404</u>
Total Cash Disbursements	3,096,568	76,000	6,329	28,507	3,207,404
Total Receipts Over/(Under) Disbursements	(7,042)	-	(6,329)	3,580	(9,791)
Fund Cash Balances, July 1, 2002	826,091	9,282	7,028	8,501	850,902
Fund Cash Balances, June 30, 2003	\$ 819,049	\$ 9,282	\$ 699	\$ 12,081	\$ 841,111
Unpaid Obligations/Open Purchase Orders	\$ 625,918	\$ 23,150	\$ 69,880		\$ 718,948

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2002**

	ODRC 501-501
Cash Receipts:	
Intergovernmental	\$ 3,273,055
Other	4,053
Total Cash Receipts	3,277,108
 Cash Disbursements:	
Personnel	2,234,098
Operating costs	636,044
Program costs	172,574
Equipment	248,660
Total Cash Disbursements	3,291,376
Refund to ODRC	12,289
Total Receipts Over/(Under) Disbursements	(26,557)
Fund Cash Balances, July 1, 2001	852,648
Fund Cash Balances, June 30, 2002	\$ 826,091
Unpaid Obligations/Open Purchase Orders	\$ 961,133

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**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark Regional Community Correction Center (the Center) provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 105 offenders. The Judicial Corrections Board administers the Center. The Board is comprised of common pleas court judges from the Counties the Center serves. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

Holmes County	Stark County
Tuscarawas County	Wayne County

For the year ended June 30, 2002, the accompanying financial statement presents only the activity of State appropriations received through the Ohio Department of Rehabilitations and Corrections. For the year ended June 30, 2004 and 2003, the financial statement presents all funds related to the Center.

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 expenditures include amounts disbursed through the following September 30 but chargeable against the preceding year's budget.

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

C. Cash

The Stark County Treasurer is the custodian of the Center's grant funds and State appropriations. The County holds these Center assets in the County's cash and investment pool, valued at the County Treasurer's reported carrying amount. The Center holds offenders' cash in demand deposit accounts.

D. Fund Accounting

The Center uses fund accounting to segregate amounts that are restricted as to use. The Center has the following funds:

State Appropriations and Grants

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Center to support general operating costs.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received ABLE, National School Lunch and Title I funding to aid in the rehabilitation of offenders.

Capital Projects: Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

Offender Fund

Resident Fund: Reports amounts received from the following sources: amounts collected from offenders for repayment of costs paid by the Center; vending machine commissions generated by items offenders purchase from the vending machines; telephone commissions generated by calls offenders place to locations outside the Center; various donations. The Center spends these monies for programs and services benefiting the offenders.

E. Budgetary Process

1. Appropriations

The Center must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Center cannot spend or obligate (i.e., encumber) more than the appropriation. Centers must obtain approval from ODRC to transfer amounts between budget categories.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to the payment approval process of Stark County. The County Auditor must approve (i.e., certify and encumber) certain payments when the Center commits to make a payment. The budgetary disbursement amounts reported in Note 3 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts budgeted for commitments not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 4.) The Unpaid Obligations/Open Purchase Orders amounts reported in the financial statements include amounts approved by the County Auditor (i.e., certified and encumbered) as of June 30 and personnel costs accrued as of June 30.

A summary of 2004, 2003 and 2002 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

The Center records acquisitions of property, plant and equipment as capital project disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 basis of accounting the Commission uses.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending 2004, 2003 and 2002 follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,245,911	\$3,256,151	(\$10,240)

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,088,480	\$3,151,082	(\$62,602)

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,273,055	\$3,290,122	(\$17,067)

3. NONCOMPLIANCE

Contrary to the Community Based Correctional Facility Grant Agreement, '02-'03 Part IV, D1.a, (pg. 50), and '04-'05 Part II, D1.a (pg. 15), expenditures exceeded the grant award in each fiscal year, except fiscal year 2003.

4. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Center.

Offender Funds

Deposits

The Center has Federal Deposit Insurance Corporation coverage for Offender Funds.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

5. REFUND TO ODRC

The agreement between the County and ODRC permits the Center to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Center must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the years ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30.

Refund to ODRC			
	2004	2003	2002
Cash, July 1	\$819,049	\$826,091	\$852,648
Disbursements Against Prior Year Budget	(\$485,095)	(\$429,535)	(\$426,736)
Payable to ODRC, July 1	(\$140,869)	(\$140,869)	(\$16,134)
Sub-Total	\$193,085	\$255,687	\$409,778
501 Award	3,245,911	3,088,480	3,273,055
Allowable Budgetary Basis Disbursements	(3,245,911)	(3,088,480)	(3,273,055)
Amount Subject to Refund, June 30	\$193,085	255,687	409,778
One-Twelfth of 501 Award	(270,492)	(257,373)	(272,754)
Sub-Total	(\$77,407)	(1,686)	137,024
Refundable to ODRC	-	-	\$137,024

Calculation of Payable to ODRC			
	2004	2003	2002
Payable, July 1	\$140,869	\$140,869	\$16,134
Cash Refunded	(3,845)	-	(12,289)
Refundable to ODRC, June 30	-	-	137,024
Payable, June 30	\$137,024	\$140,869	\$140,869

6. RETIREMENT SYSTEM

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2004, 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Center contributed an amount equal to 13.55 percent of participants' gross salaries. The Center has paid all contributions required through June 30, 2004.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

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Auditor of State Betty Montgomery

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

Stark Regional Community Correction Center
Stark County
4433 Lesh Street N E
Louisville, Ohio 44641

To the Judicial Corrections Board:

We have audited the financial statements of the Stark Regional Community Correction Center, Stark County, Ohio, (the Center) as of and for the years ended June 30, 2004, 2003 and 2002, and have issued our report thereon dated March 14, 2005. Our audit for the year ended June 30, 2002 included only State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Center. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Center's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 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 being audited may occur and not be deducted within a timely period by employees in the normal course of performing their assigned functions. Our consideration of 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 do not believe the reportable condition described above is a material weakness.

In a separate letter to the Center's management dated March 14, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the Center'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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003.

In a separate letter to the Center's management dated March 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Judicial Corrections Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 14, 2005

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004, 2003 AND 2002**

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

FINDING NUMBER 2004-001

Noncompliance Citation

The Community Based Correctional Facility Grant Agreement, '02-'03 Part IV, D1.b, (pg. 50), and '04-'05 Part II, D1.b, (pg. 15), states in part that expenditures encumbered prior to the end of the grant period must be liquidated within ninety days after the close of the grant period. In addition, the Community Based Correctional Facility Grant Agreement, '02-'03 Part IV, D.1.c, (pg. 50), and '04-'05 Part II, D.1.c, (pg. 15), states in part that expenditures not encumbered with a purchase order prior to the close of the grant period will not be considered as an allowable expenditure for the grant award period. The Facility is also permitted to retain the lesser of June 30 cash balance or one-twelfth of the current year's 501 budget. The following was noted during testing of encumbrances and expenditures charged to the grant award period within the 90 day period:

Fiscal Year	Total Expenditures Reported on Final Quarterly Report made within 90 Day Period	Total Amount Of Expenditures Charged To Prior Grant Award Encumbered and Liquidated	Difference
2004			
Personnel Costs	\$166,124	\$143,135	\$22,989
General Operating Program	130,570	124,118	6,452
	35,713	35,008	705
Equipment	<u>115,407</u>	<u>103,873</u>	<u>11,534</u>
2004 Total	447,814	406,134	41,680
2003			
Personnel Costs	236,816	216,143	20,673
General Operating Program	152,031	170,434	(18,403)
	53,127	18,147	34,980
Equipment	<u>98,572</u>	<u>80,371</u>	<u>18,201</u>
2003 Total	540,546	485,095	55,451
2002			
Personnel Costs	147,555	127,016	20,539
General Operating Program	103,160	147,763	(44,603)
	72,113	55,882	16,231
Equipment	<u>226,664</u>	<u>98,874</u>	<u>127,790</u>
2002 Total	549,492	429,535	119,957

Including expenditures on the Final Report which were not encumbered prior to 06/30 or not liquidated by 09/30 results in a reduction of the refund amount owed to the Ohio Department of Rehabilitation and Corrections. The accompanying Refund to ODRC note to the financial statements reflects only amounts encumbered and liquidated.

The Stark Regional Community Correction Center should implement procedures to ensure that all outstanding encumbrances are liquidated within ninety days of the close of the grant period, and ensure that expenditures included on the Final Expenditure Report are charged against purchase orders issued prior to the end of the grant period.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2004-002

Noncompliance Citation

The Community Based Correctional Facility Grant Agreement, '02-'03 Part IV, D1.a, (pg. 50), and '04-'05 Part II, D1.a (pg. 15), state in part that total expenditures (including encumbrances) must not exceed the grant award. The following was noted during testing of total expenditures and the grant award:

Fiscal Year	Grant Award (Budgeted Expenditures)	Total Expenditures (Including Encumbrances)	Variance
2004	\$3,245,911	\$3,256,151	(\$10,240)
2003	\$3,088,480	\$3,151,082	(\$62,602)
2002	\$3,273,055	\$3,290,122	(\$17,067)

As a result of including expenditures on the Final Report that were not encumbered prior to 06/30 or not liquidated by 09/30, as documented in Finding Number 2004-001, the aforementioned variances occurred. Consequently, total expenditures in the above table include audit adjustments for encumbrances at June 30.

To avoid the aforementioned variances, the Stark Regional Community Correction Center should ensure only eligible expenditures are utilized when comparing budgeted expenditures versus actual expenditures.

FINDING NUMBER 2004-003

Noncompliance Citation

The Community Based Correctional Facility Grant Agreement, '02-'03 Part IV.G, (pg. 50), Part IV, D2.a, (pg. 51), and '04-'05 Part II.G, (pg. 28), states in part that the grantee must set aside at least 15% of the estimated aggregate dollar value of all direct purchases of equipment, materials, supplies and services for certified minority vendors (MBE). In addition, the grantee must prepare supporting documentation providing evidence of compliance. The Center did not prepare supporting documentation providing evidence of compliance with the requirement for fiscal year 2002. In addition, our tests of the fiscal year 2003 Annual MBE Compliance Report revealed certain costs documented on the report which were not supported by amounts recorded in the Stark County General Ledger. However, differences noted did not result in actual MBE expenditures being less than the total MBE expenditure budget.

The Stark Regional Community Correction Center should prepare the Annual MBE Compliance Report every fiscal year or request a waiver from the Ohio Department of Rehabilitation and Corrections. In addition, the Stark Regional Community Correction Center should ensure the information provided in the Annual MBE Compliance Report reconciles to amounts recorded in the Stark County General Ledger.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2004-004

Encumbrances

As of June 30, 2004, 2003, and 2002, the Stark Regional Community Correction Center had outstanding non-payroll encumbrances related to the prior grant year totaling \$385,025, \$335,575, and \$573,267, respectively. Upon review of the Outstanding Encumbrance Listing report maintained by the Stark County Auditor's Office, \$239,878 (62%), \$180,407 (54%), and \$155,528 (27%) of the outstanding non-payroll encumbrances were encumbered with a purchase order within the last 10 days prior to the close of the grant period. As a result, the risk that disbursements recorded in the Final Expenditure Report were not valid commitments incurred prior to the close of the grant period is increased.

The Stark Regional Community Correction Center should ensure that commitments related to the prior grant year are identified and subsequently encumbered in a timely manner. This will help ensure disbursements recorded in the Final Expenditure Report represent payments on valid commitments incurred prior to the close of the grant period.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

STARK REGIONAL COMMUNITY CORRECTION CENTER

STARK 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
JUNE 7, 2005**