COMMUNITY CORRECTIONAL CENTER FOR BUTLER, CLERMONT AND WARREN COUNTIES
WARREN COUNTY

REGULAR AUDIT

FOR THE FISCALYEARS ENDED JUNE 30, 2006 AND 2005

Mary Taylor, CPA
Auditor of State

COMMUNITY CORRECTIONAL CENTER FOR BUTLER, CLERMONT AND WARREN COUNTIES
WARREN COUNTY

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Mary Taylor, CPA
Auditor of State

Community Correctional Center for Butler, Clermont, and Warren Counties
Warren County
5234 State Route 63
Lebanon, Ohio 45036

To the Facility Governing Board:

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, but does not imply the amounts the statements present are misstated under the non-GAAP reporting format you follow. The AOS report also includes an opinion on the financial statements you prepared using a financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 1, 2007

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INDEPENDENT ACCOUNTANTS' REPORT

Community Correctional Center for Butler, Clermont, and Warren Counties
Warren County
5234 State Route 63
Lebanon, Ohio 45036

To the Facility Governing Board:

We have audited the accompanying financial statements of the Community Correctional Center of Butler, Clermont and Warren Counties, Warren County, Ohio (Center), as of and for the years ended June 30, 2006 and 2005. 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain adequate supporting documentation related to the expenses of the Telephone Commission Fund during the July 1, 2004 to June 30, 2005 fiscal year. Without this documentation we could not assure ourselves regarding the validity of the program cost expenses of the Telephone Commission fund.

As described more fully in Note 1, the Center has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections 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 Center to reformat its financial statement presentation and make other changes. Instead of the fund statements presented, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. Generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The following paragraph does not imply the amounts reported are materially misstated under the regulatory presentation the Center uses. 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 Center's funds as of June 30, 2006 and 2005, or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as program costs expense in the Telephone Commission fund for fiscal year 2005, the financial statements referred to above present fairly, in all material respects, the fund balances and unpaid obligations of the Telephone Commission Fund as of June 30, 2006 and 2005, and the related revenues and expenses for the years then ended on the basis of accounting described in Note 1.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances and unpaid obligations of all other funds of the Community Correctional Center of Butler, Clermont and Warren Counties as of June 30, 2006 and 2005, and the related revenues and expenses 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 October 1, 2007, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 1, 2007

COMMUNITY CORRECTIONAL CENTER FOR BUTLER, CLERMONT AND WARREN COUNTIES
WARREN COUNTY

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDED JUNE 30, 2006

	State Appropriations and Grants		Offender Funds			
	ODRC 501-501	Federal	Offender Personal Funds	Telephone Commissions	Other/ Misc.	Totals
Revenue:						
Intergovernmental	$ 2,810,123	$ 112,912	$ -	$ -	$ -	$2,923,035
Collections from offenders	-	-	-	-	455	455
Commissions	-	-	-	38,004	19,463	57,467
Total Revenue	2,810,123	112,912	-	38,004	19,918	2,980,957
Expenses:						
Personnel	1,672,190	71,000	-	-	-	1,743,190
Operating costs	870,747	16,950	198	-	19,918	907,813
Program costs	240,577	22,562	-	41,171	-	304,310
Equipment	21,945	2,400	-	-	-	24,345
Total Expenses	2,805,459	112,912	198	41,171	19,918	2,979,658
Expensess from prior FY (Including refund to ODRC)	-	-	-	-	14,975	14,975
Total Revenues Over/(Under) Expenses	4,664	-	(198)	(3,167)	(14,975)	(13,676)
Fund Balances, July 1, 2005	191,864	-	2,319	8,796	14,975	217,954
Fund Balances, June 30, 2006	$ 196,528	$ -	$ 2,121	$ 5,629	$ -	$ 204,278

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

COMMUNITY CORRECTIONAL CENTER FOR BUTLER, CLERMONT AND WARREN COUNTIES
WARREN COUNTY

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDED JUNE 30, 2005

	State Appropriations and Grants		Offender Funds			
	ODRC 501-501	Federal	Offender Personal Funds	Telephone Commissions	Other/ Misc.	Totals
Revenue:						
Intergovernmental	$ 2,810,123	$ 145,204	$ -	$ -	$ -	$ 2,955,327
Collections from offenders	-	-	-	-	1,075	1,075
Commissions	-	-	-	22,532	26,130	48,662
Total Revenue	2,810,123	145,204	-	22,532	27,205	3,005,064
Expenses:						
Personnel	1,606,236	65,726	-	-	-	1,671,962
Operating costs	807,675	-	146	-	27,205	835,026
Program costs	305,286	79,478	-	18,312	-	403,076
Equipment	78,368	-	-	-	-	78,368
Total Expenses	2,797,565	145,204	146	18,312	27,205	2,988,432
Expenses from prior FY (Including refund to ODRC)	-	3,704	-	-	-	3,704
Total Revenue Over/(Under) Expenses	12,558	(3,704)	(146)	4,220	-	12,928
Fund Balances, July 1, 2004	179,306	3,704	2,465	4,576	14,975	205,026
Fund Balances, June 30, 2005	$ 191,864	$ -	$ 2,319	$ 8,796	$ 14,975	$ 217,954

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Community Correctional Center of Butler, Clermont and Warren Counties, Warren County, Ohio (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 100 offenders. The Judicial Corrections Board administers the Center. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

Butler	Clermont	Warren

The financial statements present all funds related to the Center.

The Judicial Corrections Board has contracted Center operation responsibilities to Talbert House, a non-profit organization. Talbert House is responsible for essentially all management decisions related to the Center, subject to the Judicial Correction Board's oversight.

B. Basis of Accounting

These financial statements follow the modified accrual basis of accounting prescribed or permitted by the Ohio Department of Rehabilitation and Corrections.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Ohio Department of Rehabilitation and Corrections.

The Center is a cost center on the books of Talbert House. In compliance with the reporting requirements of the Ohio Department of Rehabilitation and Corrections, any capital equipment that is purchased is expensed during the period of acquisition.

C. Cash

Talbert House is the custodian for the Center's cash. Talbert House segregates cash related to the Industrial and Entertainment (I&E)/Telephone Commission fund in a separate bank account.

Talbert House commingles the Center's State Appropriations and Grants with cash from non-CBCF activities. Ending Fund Balance on the statements represents a net receivable from Talbert House.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal: Reports amounts received from the federal government, including amounts passed through ODRC. The center received ABLE, Title 1, and School Lunch grants during the audit period. ABLE and Title 1 grants are used for teacher salaries, equipment and supplies. These are both cost reimbursement grants. The grant amounts are:

	2005	2006
Adult Basic Literacy and Education	$53,000	$36,800
Title 1	$71,800	$58,182
School Lunch	$20,404	$17,930

Offender Funds

Industrial and Entertainment Fund: This fund receives Offender Funds, such as telephone commissions. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment.

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. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

2. Encumbrances

The Center had no encumbrances outstanding on June 30, 2005 or June 30, 2006.

A summary of 2005 and 2006 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

The Center records acquisitions of property, plant and equipment as equipment 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, however, leave is expensed to the program as earned.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending 2005, and 2006 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Budget	Budgetary Expenditures	Variance
$2,810,123	$2,805,459	$4,664

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Budget	Budgetary Expenditures	Variance
$2,810,123	$2,797,565	$12,558

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriation Deposits

Talbert House, as custodian of the Center's cash, is responsible for collateralizing deposits and investments for grants and State appropriations. Talbert House maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. Talbert House has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

4. 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.. The Center refunds amounts computed below in the fiscal year following the computation below.

Refund to ODRC

	2005	2006
Cash, July 1	$ 179,306	$ 191,864
Payable to ODRC, July 1	0	0
Sub-total	179,306	191,864
Receipts	2,810,123	2,810,123
Disbursements	(2,797,565)	(2,805,459)
Amount Subject To Refund, June 30	191,864	196,528
One-Twelfth of 501 Award	(234,177)	(234,177)
Refundable to ODRC	$ 0	$ 0

5. RETIREMENT SYSTEMS

The employees of the Community Based Correctional Facility are not members of the Ohio Public Employee Retirement System. All employees contribute to Social Security.

The Center's employees may contribute pre-tax dollars to a 403(b) plan at time of hire. Talbert House contributes to an employee's plan after 18 months of employment with increasing contribution rates based on length of employment. The Center contributions for the fiscal years 2005 and 2006 are $42,829 and $44,152 respectively.

The Center has paid all contributions required through June 30, 2006.

6. RISK MANAGEMENT

Commercial Insurance
The Center has obtained commercial insurance from allocated cost of Talbert House (As disclosed in Note 7) for the following risks:

- Comprehensive property and general liability
- Vehicles
- Professional liability
- Director and officer liability
- Fiduciary liability
- Excess liability
- Directors and Officers
- Sexual Molestation/Abuse Coverage
- Accident Policy
- Computer Coverage Policy

7. RELATED PARTY TRANSACTIONS

Talbert House allocates central service costs to the Center. The allocation methods are systemic across the agency and charged monthly in the financial statements.

Allocation methods and amounts for the period are:

Expense Allocated	Allocation Method	FY05 Allocation	FY06 Allocation
Administration Finance Quality & Clinical Services Public Relations	Total Cost Center Expense	$290,763	302,592
Human Resources Training	Full-time Equivalents	73,066	67,065
Management Information Systems	Number of Computers	47,611	39,474
Drug Lab Costs	Number of Monthly Tests	9,560	11,830
Fringe Benefits	Total Paid Hours Total Payroll Dollars	213,438	232,419
FICA Workers Compensation Unemployment Taxes	Total Payroll Dollars	130,309	128,201
Primary Care	Number of Care Visits	41,862	45,204
Professional Liability Insurance	Budgeted Wages	7,734	9,325
General Liability Insurance Property Insurance	Total Property Values (except for Inform System Insurance which is based on number of PC users)	21,705	32,014

Additionally, the Center received $23,249 and $17,459 from Turtle Creek Center, another division of Talbert House, for use of the van during fiscal 2005 and fiscal 2006 respectively. The income offset the transportation costs charged to the grant.

8. SUBSEQUENT EVENTS

House Bill 162 was signed on July 11, 2006 and subsequently became effective in 90 days. This bill divides the governance of Community-Based Correctional Facilities (CBCFs) between two entities: a Facility Governing Board, composed of citizens who are not active judges, supervises the administration and management of the CBCFs and a Judicial Advisory Board, composed of judges, provides advice on programming and other specified matters. This division would resolve the ethical conflicts and maintain appropriate judicial involvement.

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

Community Correctional Center for Butler, Clermont, and Warren Counties
Warren County
5234 State Route 63
Lebanon, Ohio 45036

To the Facility Governing Board:

We have audited the financial statements of the Community Correctional Center for Butler, Clermont, and Warren Counties, Warren County, Ohio (the Center), as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated October 1, 2007, wherein we noted the Center followed accounting presentation the Ohio Department of Rehabilitation and Corrections prescribes or permits rather than accounting principles generally accepted in the United States of America. We also qualified our opinion for the lack of sufficient evidential matter supporting the expenses of the Telephone Commission fund for fiscal year 2005. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Center's management in a separate letter dated October 1, 2007.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-001. In a separate letter to the Center's management dated October 1, 2007, 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, the Facility Governing Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 1, 2007

SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005

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

FINDING NUMBER 2006-001

Material Noncompliance / Material Weakness

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42. During the course of the audit, the following records could not be located:

- Supporting documentation for 19% of the Industrial and Entertainment (I&E) account Telephone Commission receipts totaling $5,884.20 in FY 2005. We applied alternative procedures to confirm the receipts without documentation. Documentation was available for all receipts after January 1, 2005.

- Supporting documentation for 40% of the I&E disbursements tested for FY 2005 totaling $1,488.32. All missing items were from the period of July 1, 2004 through February 1, 2005, for which no supporting documentation for I&E disbursements was provided. Documentation was available for all expenses after February 1, 2005.

The Center's system of internal control should ensure adequate security, maintenance and retention of records. Due care should be used in maintaining all records of the Center. Failure to retain all records of the Center can result in a loss of control and lead to misuse of funds or even fraud.

We recommend that the Center retain all supporting documentation, such as commission reports, and invoices, for receipts for the I&E account. Such procedures will provide additional control over the account.

Officials' Response:

Management agrees with the assertion that the CBCF's system of internal control should include adequate security, maintenance and retention of records. In fact, the center operates under the organization's Records Retention Policy that calls for management to be able to retain and produce such for a period no less than seven years from the present fiscal year. Exceptions to policy did occur as we agree with the auditors findings as we were unable to produce source documentation for a total of $7,535.60 (as listed above) of I&E account transactions. To reduce exceptions in the future, the center has tightened its systems for these controls by heightening responsibility and adding an additional layer of oversight to the I&E records in order to fully comply with the organization's Record Retention Policy.

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COMMUNITY CORRECTIONAL CENTER FOR BUTLER, CLERMONT AND WARREN COUNTIES
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2004-001	ORC 149.351 - failure to maintain records.	No	Reissued as Finding Number 2006-001

Mary Taylor, CPA
Auditor of State

COMMUNITY CORRECTIONAL CENTER FOR BUTLER, CLERMONT & WARREN COUNTIES

WARREN 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
DECEMBER 20, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us