



**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2005 AND 2006



Mary Taylor, CPA
Auditor of State

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

Northwest Community Correctional Center
Wood County
1740 East Gypsy Lane
Bowling Green, Ohio 43402-9081

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 the Ohio Department of Rehabilitation and Corrections does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the Ohio Department of Rehabilitation and Corrections permits.

Mary Taylor

Mary Taylor CPA
Auditor of State

March 20, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Community Correctional Center
Wood County
1740 East Gypsy Lane
Bowling Green, Ohio 43402-9081

To the Facility Governing Board

We have audited the accompanying financial statements of the Northwest Community Correctional Center, Wood County (the Facility) as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility 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 Facility 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. While the Facility does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. Since the Facility does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Facility uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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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 Facility'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, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the Northwest Community Correctional Center, Wood County as of June 30, 2006 and 2005, 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 20, 2007, on our consideration of the Facility'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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 20, 2007

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**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2006

	<u>State Appropriations and Grants</u>		
	<u>ODRC 501-501</u>	<u>Title I Grant</u>	<u>Able Grant</u>
Cash Receipts:			
Intergovernmental	\$ 1,799,805	\$ 22,824	\$ 12,138
Receipts for offenders			
Sales			
Other			
Room and board			
Commissions			
Reimbursement	79,598	35,525	24,005
Transfer In/(Out)	(9,000)		
	<u>1,870,403</u>	<u>58,349</u>	<u>36,143</u>
Total Cash Receipts			
Cash Disbursements:			
Personnel	1,217,064	33,741	11,788
Operating costs	540,968	19,666	19,044
Program costs	108,296		
Equipment	38,148	5,018	9,162
Offender Disbursements:			
Offender legal obligations			
Offender reimbursements			
Offender spending			
Other			
Offender savings paid at exit	.		
	<u>1,904,476</u>	<u>58,425</u>	<u>39,994</u>
Total Cash Disbursements			
Disbursements from prior FY	<u>11,972</u>		<u>1,202</u>
Total Disbursements Over Receipts	(46,045)	(76)	(5,053)
Fund Cash Balances, July 1, 2005	<u>140,947</u>	<u>14,899</u>	<u>17,138</u>
Fund Cash Balances, June 30, 2006	<u>\$ 94,902</u>	<u>\$ 14,823</u>	<u>\$ 12,085</u>
Unpaid Obligations/Open Purchase Orders	<u>\$16,971</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Offender Funds

<u>Work Industry</u>	<u>Center Fund</u>	<u>Resident Fund</u>	<u>Totals</u>
	\$ 14,193		\$ 1,848,960
		\$118,725	118,725
\$248,079			248,079
	5,649		5,649
	25,544		25,544
	23,807		23,807
			139,128
9,000			
<u>257,079</u>	<u>69,193</u>	<u>118,725</u>	<u>2,409,892</u>
70,258			1,332,851
14,280	39,848		633,806
156,164	5,042		269,502
30,909	14,281		97,518
		19,090	19,090
		50,110	50,110
		9,120	9,120
		6,086	6,086
		<u>22,372</u>	<u>22,372</u>
<u>271,611</u>	<u>59,171</u>	<u>106,778</u>	<u>2,440,455</u>
			13,174
(14,532)	10,022	11,947	(43,737)
<u>21,740</u>	<u>22,762</u>	<u>16,894</u>	<u>234,380</u>
<u>\$ 7,208</u>	<u>\$ 32,784</u>	<u>\$ 28,841</u>	<u>\$ 190,643</u>

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2005

	<u>State Appropriations and Grants</u>		
	<u>ODRC 501-501</u>	<u>Title I Grant</u>	<u>Able Grant</u>
Cash Receipts:			
Intergovernmental	\$ 1,799,805	\$ 47,800	\$ 36,800
Receipts for offenders			
Sales			
Other			
Room and board			
Commissions			
Reimbursement	87,275		
Transfer In/Out	615	(615)	
Total Cash Receipts	<u>1,887,695</u>	<u>47,185</u>	<u>36,800</u>
Cash Disbursements:			
Personnel	1,201,843	33,370	12,358
Operating costs	481,639	8,270	12,396
Program costs	123,148		
Equipment	45,232		
Offender Disbursements:			
Offender legal obligations			
Offender reimbursements			
Offender spending			
Other			
Offender savings paid at exit			
Total Cash Disbursements	<u>1,851,862</u>	<u>41,640</u>	<u>24,754</u>
Disbursements from prior FY	<u>11,364</u>	<u>7,521</u>	
Total Receipts Over/(Under) Disbursements	24,469	(1,976)	12,046
Fund Cash Balances, July 1, 2004	<u>116,478</u>	<u>16,875</u>	<u>5,092</u>
Fund Cash Balances, June 30, 2005	<u>\$ 140,947</u>	<u>\$ 14,899</u>	<u>\$ 17,138</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 11,364</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Offender Funds

<u>Work Industry</u>	<u>Center Fund</u>	<u>Resident Fund</u>	<u>Totals</u>
	\$ 14,244		\$ 1,898,649
\$187,076		\$63,086	63,086
		286	187,076
	4,458		286
	17,840		4,458
9,000	24,644		17,840
			120,919
<u>196,076</u>	<u>61,186</u>	<u>63,372</u>	<u>2,292,314</u>
87,444			1,335,015
1,236	46,116		549,657
90,950	3,914		218,012
	3,079		48,311
		8,615	8,615
		33,272	33,272
		5,444	5,444
		2,359	2,359
		12,301	12,301
<u>179,630</u>	<u>53,109</u>	<u>61,991</u>	<u>2,212,986</u>
			18,885
16,446	8,077	1,381	60,443
5,294	14,685	15,513	173,937
<u>\$ 21,740</u>	<u>\$ 22,762</u>	<u>\$ 16,894</u>	<u>\$ 234,380</u>

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northwest Community Corrections Center, Wood County (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 64 offenders. The Facility Governing Board administers the Facility. The Facility serves the following counties:

Defiance County	Henry County	Wood County
Fulton County	Williams County	

For the years ended June 30, 2006 and 2005, the financial statement presents all funds related to the Facility.

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Cash

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

D. Fund Accounting

The Facility uses fund accounting to segregate amounts that are restricted as to use. The Facility 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 Facility to support general operating costs.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Facility received ABLE and Title 1 Funding for contracting instructors and specialists to aid in the education and rehabilitation of offenders.

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Offender Funds

Center Fund: Reports receipts from a per diem fee charged to non-indigent offenders for room, board, and medical treatment per Ohio Revised Code Section 2301.56 (C). This fund receives other Offender Funds, such as National School Lunch Program grant funds, telephone and vending commissions, and phone card sales. This fund pays for programs and services benefiting offenders, such as food service and indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses this Fund for costs chargeable to the individual resident's account.

Resident Funds: Are amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

Work Industry Fund: Are amounts the Center receives from transitional work sites for services provided to companies by the residents. Amounts collected are used to pay the residents their wages for the services they perform and to pay for the general operations of the Work Industry including the salaries and benefits for the employees.

E. Budgetary Process

1. Appropriations

The Facility 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 Facility 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

Disbursements from State appropriations and Grants are subject to Wood County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 2 only includes cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 5.)

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

F. Property, Plant, and Equipment

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

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(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 Facility uses.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2006 and 2005 follows:

<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$1,799,805	\$1,782,834	\$16,971

<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$1,799,805	\$1,788,441	\$11,364

3. ACCOUNTABILITY AND COMPLIANCE

Compliance

The Facility did not set aside at least 15% of the estimated aggregate dollar value of all its direct purchases of equipment, materials, supplies, and services for certified minority vendors.

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 Facility.

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2006 and 2005.

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

5. REFUND TO ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility 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 Facility refunds amounts computed below in the fiscal year following the computation below.

Refund to ODRC		
	2006	2005
Cash, July 1	\$140,947	\$116,478
Disbursements Against Prior Year Budget	(\$11,364)	(\$11,972)
Sub-Total	\$129,583	\$104,506
501 Cash Receipts	1,799,805	1,799,805
Budgetary Basis Disbursements	(1,782,834)	(1,788,441)
Amount Subject to Refund, June 30	\$146,554	\$115,870
One-Twelfth of 501 Award	149,984	149,984
Refundable to ODRC	-	-

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For July 1, 2004 through December 31, 2005 OPERS members contributed 8.5 percent of their gross salaries to OPERS. This amount was increased to 9.0% beginning January 1, 2006. The Center contributed an amount equal to 13.55 percent and 13.70 percent, respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

8. CONTINGENT LIABILITIES

The Facility is defendant in two lawsuits. Although management cannot presently determine the outcome of these suits, the Facility's counsel believes the resolution of these matters will not materially adversely affect the Commission's financial condition.



Mary Taylor, CPA

Auditor of State

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

Northwest Community Correctional Center
Wood County
1740 East Gypsy Lane
Bowling Green, Ohio 43402-9081

To the Facility Governing Board

We have audited the financial statements of Northwest Community Correctional Center, Wood County (the Facility) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated March 20, 2007, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitation and Corrections prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility'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 certain matters involving the internal control over financial reporting and its operation that we consider 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 Facility's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-002 through 2006-006.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Facility's management dated March 20, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Facility'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 matter that 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 Facility's management dated March 20, 2007, we reported another matter related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor CPA
Auditor of State

March 20, 2007

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation

The Community Based Correctional Facility FY 04-05 Grant Manual and Application Section II.D.2 General Purchasing Procedures states, in part, that grantee must set aside at least 15% of the estimated aggregate dollar value of all its direct purchases of equipment, materials, supplies, and services for certified minority vendors as specified in the MBE reporting section. MBE vendor purchases shall take precedent over other vendors until the 15% set aside is met. After the 15% MBE requirements are met, the Facility should purchase supplies, printing, and equipment from Ohio Penal Industries (OPI) or Ohio Industries for the Handicapped (OIH). The Facility may request a waiver from the Ohio Department of Rehabilitation and Corrections (ODRC) exempting these purchasing requirements.

The Facility did not set aside the applicable funds for fiscal years 2006 and 2005 nor did they spend any funds as required. Also, the Facility did not obtain a waiver from ODRC exempting these purchasing requirements.

We recommend the Facility adopt procedures to ensure compliance with the grant agreement's purchasing requirements or obtain the required waiver for non-compliance from ODRC.

Official's Response:

Northwest Community Corrections Center will explore minority spending requirements and work toward meeting or obtain waiver from ODRC.

FINDING NUMBER 2006-002

Reportable Condition Financial Report/Accounting Records

The accounting records are maintained in QuickBooks. The account classifications in QuickBooks did not roll into the required financial statement presentation. The Fiscal Specialist had to manually prepare a listing classifying the individual transactions from QuickBooks to the required format of accounts reported in the financial statement presentation. This resulted in reporting errors and reconciliation differences between the financial statements to the QuickBooks register. To strengthen the reporting accuracy of the financial activity we recommend that the account structure in QuickBooks be organized to roll into the financial statement account presentation.

Official's Response:

QuickBook system will be evaluated and organized in order to provide the required information.

FINDING NUMBER 2006-003

Reportable Condition Monitoring Controls

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring control should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or can be in a more overview nature. Monitoring controls should assist management in making informed decisions on operational and fiscal matters for the Facility, which can include:

- Regular review of financial report summaries of sufficient detail (monthly detailed revenue/expenditure reports) and with independently accumulated information (budgets, past performance, etc.), as submitted by the Executive Director;
- Review and approval of monthly reconciliations;
- Review of key performance indicators;
- Monthly review and approval of the Facility's expenditures' and
- Monitoring grant monies to ensure they are used in accordance with grant requirements.

We recommend the Facility create and maintain documentation to indicate procedures performed.

Official's Response:

Northwest Community Corrections Center will put in place a system where monthly reporting is done showing revenue and expenditures. Procedures will be put in place to ensure that monthly bank reconciliations are done and reviewed. Monitoring will be done with use of grant funds.

FINDING NUMBER 2006-004

Reportable Condition Center Fund Transactions

We encountered the following deficiencies in our testing of Center Fund transactions:

- Facility personnel did not review the monthly detailed Call Commission reports to determine if the correct commissions were being received.
- Twenty-five percent of expenditures tested did not have an invoice or other supporting documentation. This included one-thousand dollars in gift cards that were purchased.
- Federal School Breakfast and Lunch program monies were received monthly. The August and September 2005 funding totaling \$2,583 had not been recorded as revenue. Upon questioning the whereabouts of these two months receipts the Facility filed a claim for re-issuance of voided warrants in 2006 and replacement checks were received during December 2006 and not deposited until February 13, 2007.

**FINDING NUMBER 2006-004
(Continued)**

These weaknesses could result in expenditures made that are not authorized or appropriate for the Center Fund activities and the potential loss of revenue going undetected. In order to strengthen controls over Center Fund transactions, the following are recommended;

- The Director and Fiscal specialist review the Call Commission reports and report any errors found to the company.
- Expenditure payments be made only when an original invoice or other suitable documentation is presented to support the payment.
- As part of the reconciliation process the Center Fund individual transactions should be reviewed to ensure consistency in activity between the months.

Official's Response:

Director along with fiscal will review the call commission reports. Procedures have been put in place where invoices have the original receipt and are signed and approved by the Executive Director/designee.

FINDING NUMBER 2006-005

Reportable Condition Resident Fund

We encountered the following deficiencies during our testing of the Resident Fund receipts:

- Duplicate receipts were pre-numbered, but the receipt books were not used in sequential order or controlled at one location. Individual duplicate receipts were missing, had been skipped, or were unused within the receipt books. Ten Resident Fund receipts had been recorded in the Petty Cash receipt books over the period February 12, 2005, through May 29, 2005.
- A running balance was not maintained within the individual Resident accounts ledger and the total individual Resident accounts were not reconciled to the Residents' bank account.
- Residents have left the Facility with a deficit cash balance in their accounts and no collection was attempted from these individuals.

These deficiencies weaken the controls over revenues and expenses within the individual Resident accounts, which could result in Residents activity being posted to the wrong account, not reported at all or not collected when due. In order to strengthen controls over receipts, we recommend the following:

- Receipt books be used in sequential order and when not in use maintained at one location. Any skipped receipt should be voided and all voided receipts should be approved by an individual other than the issuer. Duplicate receipts should not be removed from the receipt book. Procedures should be established to ensure the correct receipt book is used for resident account receipts.
- The individual Resident accounts should be reconciled to the checking account balance on a monthly basis.
- Management should review and create a policy regarding an individual Resident's spending of funds which have not been credited to their respective account.

**FINDING NUMBER 2006-005
(Continued)**

Official's Response:

Procedure has been put in place to address receipts ensuring no duplicate receipts and correct receipt book being used. Procedures will be in place to ensure monthly reconciliation of account. System will be evaluated to ensure that it is the easiest way for documenting.

FINDING NUMBER 2006-006

Reportable Condition Work Industry Transactions

We encountered the following deficiencies during our testing of the Work Industry transactions:

- The fiscal office did not maintain receipt deposits, billing invoices or offender's payroll summary sheets for the Work Industry fund. Records were obtained off-site from the Work Industry Coordinator.
- Contracts with outside employers were not updated annually and pay rates were changed manually on prior contracts without obtaining a new written contract.
- Five percent of Work Industry expenditures did not have an invoice or other supporting documentation.
- Four offenders were underpaid during fiscal year 2006 due to an error inputting the hourly rates.

These weaknesses could result in misunderstanding of services to be performed on contracts and expenditures that are not authorized or appropriate to the Work Industry purpose. In order to provide complete and accurate supporting documentation for the Work Industry activities, we recommend the following:

- All supporting documentation for the Work Industry Fund be filed in one location.
- New contracts be prepared when the terms of the original contract change and all supporting documentation be filed and safeguarded in the Facility's files.
- Checks be written only when an original invoice or receipt is presented for payment. We further recommend a voucher system be established for filing supporting documents.
- Offender payrolls be reviewed for the correct hourly rate each pay and errors be reported to payroll for correction.

Official's Response:

Files will be maintained in central location. Contracts with outside employers will be updated annually beginning January 1, 2007. Procedure put in place where checks are written with original invoice or receipt. Monitoring system will be put in place to check payroll.

**NORTHWEST COMMUNITY CORRECTIONAL CENTER
WOOD 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; <i>Explain</i>
2004-001	Section II, D1.a of the 2004-2005 Ohio Department of Rehabilitation and Corrections grant states that total expenditures (including encumbrances must not exceed the grant award.	Yes	
2004-002	Resident Fund Receipts	Yes	



Mary Taylor, CPA
Auditor of State

NORTHWEST COMMUNITY CORRECTIONAL CENTER

WOOD 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
APRIL 10, 2007**