



**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2006-2005



Mary Taylor, CPA
Auditor of State

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds - For the Year Ended June 30, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds - For the Year Ended June 30, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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 an 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 adverse 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.

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

Mary Taylor, CPA
Auditor of State

October 9, 2007

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Facility Governing 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, 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.

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 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Center 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. The Auditor of State permits, but does not require the Center to reformat their statements. The Center has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis 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 two paragraphs, the financial statements referred to above for the years ended June 30, 2006 and 2005 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 its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and unpaid obligations of the Stark Regional Community Correction Center, Stark County, as of June 30, 2006 and 2005, and cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 9, 2007

**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 - ALL FUNDS
FOR THE PERIOD ENDED JUNE 30, 2006**

	State Appropriations and Grants			Offender Fund	Totals
	ODRC 501-501	Federal	Capital Projects	Resident Fund	
Cash Receipts:					
Intergovernmental	\$ 3,310,776	\$ 9,007	\$ 946,410		\$ 4,266,193
Receipts for offenders				\$ 210	210
Collections from offenders				2,613	2,613
Commissions				19,636	19,636
Other	3,169				3,169
Total Cash Receipts	3,313,945	9,007	946,410	22,459	4,291,821
Cash Disbursements:					
Personnel	2,699,927				2,699,927
Operating costs	588,904	9,007			597,911
Program costs	99,602				99,602
Equipment	10,395				10,395
Capital project			813,322		813,322
Offender Disbursements:					
Offender personal costs				7,421	7,421
Offender recreational costs				8,188	8,188
Offender program/operating costs				14,693	14,693
Total Cash Disbursements	3,398,828	9,007	813,322	30,302	4,251,459
Disbursements from prior FY (Including refund to ODRC)	45,675				45,675
Total Receipts Over/(Under) Disbursements	(130,558)	-	133,088	(7,843)	(5,313)
Fund Cash Balances, July 1, 2005	501,226	10,494	699	18,881	531,300
Fund Cash Balances, June 30, 2006	\$ 370,668	\$ 10,494	\$ 133,787	\$ 11,038	\$ 525,987
Unpaid Obligations/Open Purchase Orders	\$ 394,312		\$ 401,764		\$ 796,076

**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 - ALL FUNDS
FOR THE PERIOD ENDED JUNE 30, 2005**

	<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	\$ 3,310,776	\$ 93,349	\$ 25,875		\$ 3,430,000
Receipts for offenders				\$ 1,725	1,725
Collections from offenders				3,111	3,111
Commissions				43,621	43,621
Other	8,618				8,618
	<u>3,319,394</u>	<u>93,349</u>	<u>25,875</u>	<u>48,457</u>	<u>3,487,075</u>
Total Cash Receipts	<u>3,319,394</u>	<u>93,349</u>	<u>25,875</u>	<u>48,457</u>	<u>3,487,075</u>
Cash Disbursements:					
Personnel	2,527,518	77,876			2,605,394
Operating costs	728,336	16,722			745,058
Program costs	169,263	1,140			170,403
Equipment	119,054				119,054
Capital project			25,875		25,875
Offender Disbursements:					
Offender personal costs				14,651	14,651
Offender recreational costs				5,513	5,513
Offender program/operating costs				12,400	12,400
	<u>3,544,171</u>	<u>95,738</u>	<u>25,875</u>	<u>32,564</u>	<u>3,698,348</u>
Total Cash Disbursements	<u>3,544,171</u>	<u>95,738</u>	<u>25,875</u>	<u>32,564</u>	<u>3,698,348</u>
Total Receipts Over/(Under) Disbursements	<u>(224,777)</u>	<u>(2,389)</u>	<u>-</u>	<u>15,893</u>	<u>(211,273)</u>
Fund Cash Balances, July 1, 2004	<u>726,003</u>	<u>12,883</u>	<u>699</u>	<u>2,988</u>	<u>742,573</u>
Fund Cash Balances, June 30, 2005	<u>\$ 501,226</u>	<u>\$ 10,494</u>	<u>\$ 699</u>	<u>\$ 18,881</u>	<u>\$ 531,300</u>
Unpaid Obligations/Open Purchase Order:	<u>\$ 245,539</u>		<u>\$ 1,050,425</u>		<u>\$ 1,295,964</u>

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark Regional Community Correction Center, Stark 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 105 offenders. Until the approval of House Bill 162, which was effective October 12, 2006, the Judicial Corrections Board administered the Center. The Board was comprised of common pleas court judges from the Counties the Center serves. The Board included at least one common pleas court judge from each county the Center serves. Refer to Note 9 for further information regarding House Bill 162. The Center serves the following counties:

Holmes County	Stark County
Tuscarawas County	Wayne County

For the years ended June 30, 2006 and 2005, the financial statements present all funds related to the Center.

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 Center 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 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.

The County credits earnings on Center investments to the County's General Fund.

D. Fund Accounting

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

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received Title I, ABLE, and National School Lunch 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 Funds

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; and various other donations. 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. The Center must obtain approval from ODRC to transfer amounts between budget categories.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Stark County's payment approval process. 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 2 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate valid 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.)

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.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2006 and 2005 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. The financial statements do not report these items as assets.

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 Center uses.

2. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,310,776	\$3,282,593	\$28,183

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,310,776	\$3,503,539	(\$192,763)

Budgetary expenditures 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. In addition, budgetary expenditures include expenditures made in excess of the grant award (\$192,763 during 2005) and exclude expenditures which were deemed unallowable.

3. NONCOMPLIANCE

Contrary to the Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II D.1.b (Pg. 15) and Section II D.1.c (Pg. 15), the Stark Regional Community Correction Center reported expenditures encumbered with a purchase order prior to the close of the grant period and paid within 90 days after the close of the grant period which included expenditures that were not valid obligations prior to the close of the grant period for the FY 2005 and FY 2006 grant.

Contrary to the Community Based Correctional Facility FY 04-05 Grant Manual Section II D.1.a (Pg. 15), total expenditures for the FY 2005 grant exceeded the grant award.

Contrary to the Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manuals, the OBM Travel Policy, and the Stark County Board of Commissioners Uniform Travel Policy, the Stark Regional Community Correction Center made travel related expenditures which were deemed unallowable.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

3. NONCOMPLIANCE (Continued)

Contrary to the Community Based Correctional Facility FY 06-07 Grant Manual Section II C.6 (Pg. 15), the Stark Regional Community Correction Center made capital related expenditures from 501-501 operating grant funds which were deemed unallowable.

Contrary to the Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II D.3.d.(5) (Pg. 21) and Section II E.2 (Pg. 22), the Stark Regional Community Correction Center did not maintain updated inventory schedules for all equipment items purchased with grant funds.

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 of \$100,000 for Offender Funds.

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

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

5. REFUND TO ODRC (Continued)

Refund to ODRC		
	2006	2005
Cash, July 1	\$ 501,226	\$ 726,003
Allowable Disbursements Against Prior Year Budget	(186,593)	(211,166)
Payable to ODRC, July 1	(238,939)	(137,024)
Sub-Total	75,694	377,813
501 Award	3,310,776	3,310,776
Allowable Budgetary Basis Disbursements	(3,282,593)	(3,310,776)
Amount Subject to Refund, June 30	103,877	377,813
One-Twelfth of 501 Award	(275,898)	(275,898)
Sub-Total	(172,021)	101,915
Refundable to ODRC	\$ -	\$ 101,915

Calculation of Payable to ODRC		
	2006	2005
Payable, July 1	\$ 238,939	\$ 137,024
Cash Refunded	(45,675)	-
Refundable to ODRC, June 30	-	101,915
Payable, June 30	\$ 193,264	\$ 238,939

The Stark Regional Community Correction Center and ODRC approved a payment plan for the amount payable, July 1, 2005 totaling \$137,024. In accordance with this payment plan, the Center refunded \$45,675 during September, 2005, which is shown above as Cash Refunded during 2006. The remaining amount of \$91,349 was approved in the payment plan to be repaid by the Center in two payments of \$45,675 on September 1, 2006 and \$45,674 on September 1, 2007. The Center did refund \$45,675 on September 29, 2006, which is not shown in the table above as it was made subsequent to June 30, 2006.

6. RETIREMENT SYSTEM

The Center'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 (calendar years) 2006 and 2005, OPERS members contributed 9.0 percent and 8.5 percent of their gross salaries to OPERS, respectively. The Center contributed an amount equal to 13.7 percent and 13.55 percent of participants' gross salaries to OPERS, respectively.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

8. CONTINGENT LIABILITIES

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2006.

9. SUBSEQUENT EVENTS

Effective October 12, 2006, House Bill 162 revised the law governing Community Based Correctional Facilities. Prior to this revision, the Center was administered by the Judicial Corrections Board, as discussed in Note 1.A. The passage of House Bill 162 eliminated the Judicial Corrections Board and gave the function previously held by them to Facility Governing Boards, who would be advised by Judicial Advisory Boards. The Judicial Advisory Board must consist of not less than three judges. In addition, the Judicial Advisory Board must meet at least once a year, but may meet as often as necessary. The Facility Governing Boards must consist of at least six members, with each member serving a three year term. The Judicial Advisory Board is responsible for appointing two-thirds of the members of the Facility Governing Board, and the boards of county commissioners of the member counties must appoint the remaining one-third of the members. Consequently, as of October 12, 2006, the Center is administered by the Facility Governing Board, who is advised by the Judicial Advisory Board.



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*

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

To the Facility Governing 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, 2006 and 2005, and have issued our report thereon dated October 9, 2007, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Center's management in a separate letter dated October 9, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-005.

We also noted certain noncompliance or other matters that we reported to the Center's management in a separate letter dated October 9, 2007.

The Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Center's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Facility Governing Board, and the Ohio Department of Rehabilitation and Corrections. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 9, 2007

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**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

Noncompliance Citation

Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II D.1.b (Pg. 15) requires that expenditures encumbered prior to the end of the grant period must be paid within 90 days after the close of the grant period. In addition, obligated expenditures remaining after 90 days must be paid from the next grant year's funding. **Community Based Correction Facility FY 04-05 and FY 06-07 Grant Manual Section II D.1.c (Pg. 15)** stipulates that expenditures not encumbered with a purchase order prior to the close of the grant period will not be allowed as an expenditure from that grant award period.

For the FY 05 grant period, the Stark Regional Community Correction Center reported obligated expenditures encumbered with a purchase order prior to the close of the grant period and paid within 90 days after the close of the grant period as \$187,596. However, of those expenditures, \$1,003 were not obligated prior to the close of the grant period. Upon request, management adjusted \$1,003 to include them as FY 06 grant expenditures for the purpose of the amount refundable to ODRC, as detailed in the notes to the financial statements.

For the FY 06 grant period, the Stark Regional Community Correction Center reported obligated expenditures encumbered with a purchase order prior to the close of the grant period and paid within 90 days after the close of the grant period as \$187,713. However, of those expenditures, \$11,485 were not obligated prior to the close of the grant period. Upon our request, management adjusted \$11,485 to exclude them from FY 06 grant expenditures for the purpose of the amount refundable to ODRC, as detailed in the notes to the financial statements.

The Stark Regional Community Correction Center should establish procedures to ensure expenditures encumbered prior to the end of each grant period represent valid obligations of that grant period, and are paid within 90 days after the close of the grant period. If these conditions are not met, the expenditures must be paid for out of the next grant year.

Officials' Response: The FY 05 and FY06 expenditures noted as disallowed by the Auditor of State (AOS) were paid from valid open purchase orders in place prior to the end of the fiscal year on June 30th which meets the requirements for same in the ODRC Grant Guidelines. SRCCC believed the amounts of \$1,003 from FY05 and \$11,485 from FY06 paid during the time period of July 1-September 30th (allowed by grant guidelines were valid "obligations").

The AOS recommends the agency should "establish procedures to ensure expenditures encumbered prior to the end of each grant year represent valid obligations of that grant period, and are paid within 90 days after the close of the grant period." In response to this recommendation, all expenditures for both grant years (FY05 and FY06) were paid within 90 days after the close of the grant period from valid open purchase orders and there were no non-encumbered expenses. However, SRCCC was provided with further interpretation of "valid obligations" by the AOS during the current audit and will build these new criteria into its processes going forward. Additionally, SRCCC will ensure that all service dates and order dates noted on vendor invoices strictly adhere to SRCCC's original purchase order to provide the third party documentation of SRCCC's valid obligations needed by AOS for audit.

Auditor of State's Conclusion: While purchase orders may have been placed before the end of the year, the obligations we are questioning related to the subsequent year, and should have been charged to the subsequent year appropriation.

FINDING NUMBER 2006-002

Noncompliance Citation

Community Based Correctional Facility FY 04-05 Grant Manual Section II D.1.a (Pg. 15) requires that total expenditures (including encumbrances) shall not exceed the grant award for the fiscal year.

Total expenditures for the FY 05 grant of \$3,503,539 exceeded the grant award of \$3,310,776 by \$192,763 due to FY 04 grant expenditures paid within 90 days after the close of the grant period which were not obligated prior to the close of the grant period and, therefore, had to be paid for out of the FY 05 grant year. The Stark Regional Community Correction Center should closely monitor expenditures applied to each grant year to ensure total expenditures plus encumbrances do not exceed the grant award.

Officials' Response: The FY04 expenditures noted as exceeding the grant award for FY04 were paid from valid open purchase orders in place prior to the end of the fiscal year on June 30th.

The AOS began the FY02, FY03, and FY04 fiscal audit in January 2005. Recommendations made by the AOS resulting from that audit regarding SRCCC's practices of paying invoices during the July to September close out period were implemented; however, the close out period for FY04 already contained the previously ODRC-approved practice for the payment of invoices. The FY04 expenditures referred to in this finding were the "carryover" of these previously approved practices.

Auditor of State's Conclusion: While purchase orders exceeding the FY04 grant award may have been placed before the end of the year, the obligations we are questioning related to the subsequent year, and should have been charged to the subsequent year appropriation.

FINDING NUMBER 2006-003

Noncompliance Citation

During our testing of 501 grant training expenditures, we noted the following instances of noncompliance:

1. **Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II D.3.b.(6) (Pg. 18)** require mileage, meals, and overnight lodging should be paid at the rate established by the county administering the program. If no rate is established, the Ohio Office of Budget and Management (OBM) rates are to be used. **Stark County Board of Commissioners Uniform Travel Policy** states that maximum reimbursement for meals will be \$35 per day, per person.

During FY 06 and FY 05, reimbursements from 501 grant funds totaling \$87 were made for meals in excess of \$35 per day, per person.

2. **Stark County Board of Commissioners Uniform Travel Policy**, provides that for travel within Stark County only meals directly sponsored by the host association for association meetings and conventions are reimbursable.

During FY 06 and FY 05, reimbursements from 501 grant funds totaling \$1,540 were made for meal expenses incurred within Stark County.

3. **OBM Travel Policy, Ohio Admin. Code Section 126-1-02 (E) and (I)**, provides that in state lodging that occurs outside the county of headquarters and more than 45 miles from both headquarters and residence may be reimbursed up to \$75 plus taxes per calendar day (\$80 effective July 1, 2006).

FINDING NUMBER 2006-003 (Continued)

During FY 06 and FY 05, reimbursements from 501 grant funds totaling \$372 were made for in state lodging in excess of \$75 plus taxes per calendar day. In addition, reimbursements totaling \$235 were made for lodging either within Stark County or within 45 miles from the Stark Regional Community Correction Center.

4. **Stark County Board of Commissioners Uniform Travel Policy** requires that receipts will be presented for all reimbursement requests. If it is proven that a receipt is unobtainable, then payment may be requested if an affidavit is obtained from the employee explaining the charges and the reason the receipt is unobtainable.

During FY 06 and FY 05, reimbursements from 501 grant funds totaling \$98 were made without original receipts or affidavits from employees. In addition, there were other reimbursements made for restaurant and room service charges with receipts which were not itemized. While these did not violate the Stark County Board of Commissioners Uniform Travel Policy, we were unable to determine the propriety of these reimbursements.

5. **Stark County Board of Commissioners Uniform Travel Policy** states that travel shall be made at the lowest available rates and costs. In any instance where airfare is less expensive than using a private or County owned vehicle, then air flight shall be used.

During FY 05, reimbursements from 501 grant funds totaling \$1,151 were made for airfare and related fees and automobile rental for travel to Baltimore, when travel could have been made at a lower cost by using a vehicle owned by the Stark Regional Community Correction Center.

6. **Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II D.3.b.(6) (Pg. 18)** define program transportation costs to include travel costs necessary for the operation of the program such as reimbursements for program activities, approved conferences and seminars.

During FY 06 and FY 05, program transportation costs totaling \$2,589 were reimbursed for the following travel costs: meal for attending funeral calling hours; meals and hotel stay for attending a retirement party; hotel and meals for three additional nights stay in Baltimore. These expenditures were not necessary for the operation of the program.

In summary, items 1 through 6 above are travel-related expenditures totaling \$6,072 which we deemed unallowable in accordance with the Community Based Correctional Facility Grant Manual. Consequently, these unallowable expenditures had a negative impact on the amount refundable to ODRC, as detailed in the notes to the financial statements. The Stark Regional Community Correction Center should establish review procedures to ensure all related expenditures comply with the Community Based Correctional Facility Grant Manual, the Stark County Board of Commissioners Uniform Travel Policy, and the OBM Travel Policy that are in effect at the time of the expenditure.

Officials' Response: We believe that the expenditures were valid according to the Stark County Board of Commissioners Uniform Travel Policy (Stark County Travel Policy) and SRCCC policies and procedures (approved by our governing board). All of these expenditures were approved for payment by the Stark County Auditor's Office. Below are more detailed responses to the specific bullets above.

1. As to expenditures in excess of \$35 per day, per person, Stark County Travel Policy allows for higher reimbursement for unusual circumstances when prior approval is granted by the appropriating authority. The disallowed amounts were approved by the SRCCC Director, which is consistent with the Stark County Travel Policy and SRCCC policies. SRCCC will ensure that all pre-approved deviations from the Stark County Travel Policy are documented in writing.

FINDING NUMBER 2006-003 (Continued)

2. As to the expenditures for meals within Stark County, SRCCC policies and procedures allowed for meal expenditures for mandatory meetings for staff. (Budget and Account System Policy and Procedure (L)(5): "There may be times when staff are required to attend certain meetings, activities or training which a meal is provided..." We believed the expenditures were valid based upon our approved policies and procedures. SRCCC has conformed its policy to the Stark County policy.

The Facility Governing Board has implemented a revised Travel Policy and Procedure which takes into account some recommendations made by the AOS. In addition, the FGB has implemented a new policy to review all of the director's travel expenditures on a monthly basis. We have implemented changes based on the AOS findings along with appropriate responses.

3. As to expenditures for in-state overnight lodging SRCCC has interpreted the ODRC Grant Guidelines (6 – Program Transportation – [a] Mileage, meals and overnight lodging should be paid at the rate established by the county administering the program) that since Stark County has its own travel policy, SRCCC should follow the county policy. The disallowed overnight lodging was for two Ohio Department of Alcohol and Drug Addiction Services (ODADAS) Directors meetings which are held at the Columbus Convention Center. The Stark County Travel Policy allows an employee to stay at a conference hotel (the hotel that the conference is being held at) even though there may be a lower rate available at non-conference hotels in the vicinity. We therefore believe these expenditures to be allowable.
4. As to the expenditures disallowed where an original receipt was not obtained, these expenditures are supported by hand-written documentation for restaurants that do not have the capability of providing a computerized itemized bill. SRCCC has reminded staff that only original itemized receipts can be accepted for approved meal reimbursements. In addition, SRCCC policy and procedure was updated to include language that meals cannot be placed directly on the room bill unless the hotel can provide an itemized receipt at the time of check-out. If staff fails to provide the required documentation for reimbursement, their request for same will not be processed by SRCCC.
5. As to the expenditures disallowed in the amount of \$1,151, all of these expenditures relate to airfare and car rental for staff attendance at the American Correctional Association (ACA) Conference. The conference ran from August 6 to August 11, 2005. SRCCC staff attended the mandatory ACA hearing regarding the agency's re-accreditation during the ACA conference. In addition, ODRC requires that SRCCC maintain ACA accreditation. This hearing is scheduled for either Saturday or Sunday of the conference. Documentation shows that an agency must be ready to attend the hearing anytime from 7:30 a.m. to 5:30 p.m. on Saturday or Sunday. SRCCC provided documentation to the AOS that ACA Assistant Director could not provide assurances that the "hearing" would be scheduled on Sunday. Therefore, attendees had to be in Baltimore on Friday in case the "hearing" was scheduled on Saturday. SRCCC made travel arrangements in a manner that would allow it to ensure attendance at the mandatory ACA hearing. In addition, SRCCC staff attended Commission on Accreditation for Corrections Award Luncheon from 12:00 noon to 1:30 p.m. and the Commission on Accreditation for Corrections Awards Presentation from 1:30 p.m. to 3:00 p.m. on Monday August 8, 2005 which were part of the re-accreditation process as well as conference sessions on Monday and Tuesday. In the future SRCCC will make a written cost analysis prior to selecting mode of travel.
6. As to disallowed program transportation costs totaling \$2,589, \$2,461 relates to attendance at the ACA conference (parking, overnight lodging, meal expenditures), \$13 relates to attendance for a funeral and \$115 relates to attendance at the ODRC Director's retirement. SRCCC explanation of costs incurred for attendance at the ACA conference is included in the previous paragraph. SRCCC has provided both AOS and ODRC with its business rationale for attendance at the functions listed. All expenditures were approved as appropriate program business. SRCCC will update its policies to ensure that the funeral and retirement expenses disallowed will not be incurred in the future.

FINDING NUMBER 2006-003 (Continued)

Auditor of State's Conclusion: (Conclusions only provided for specific bullets as identified)

Bullet #2 - Section II D2 (pg16) requires the grantee to follow established County guidelines. Therefore Section II D2 prohibits the SRCCC from implementing policies that are more permissive than the County's. Where County guidelines are not applicable the grantee shall comply with all state and federal laws regarding the purchase of goods and services. These were for meals purchased for meetings. These were not meals supplied by an outside party as part of a meeting, activity or training.

The SRCCC should compare its travel policies with the County's and should revise any policies that are more permissive than the County's.

Bullet #3 - The expenditures were more than for just two Director's meetings. The ODADAS Director meetings started at 10:00am so attendees would not necessarily need to stay overnight. Thus, these meetings had no associated hotel. If the SRCCC believed the overnight stay was justified, then the overnight stay should have been based upon the OBM policy of \$75 per night, similar to the other overnight stays in question.

Bullet #5 - The Stark County Travel Policy requires travel to be made at the lowest available costs. In any instance where airfare is less expensive then using a private or County owned vehicle, then air flight shall be used. These unallowed expenses are for airfare to Baltimore and Minivan rental in Baltimore. SRCCC owns a minivan, which should have been used for this travel.

Bullet #6 - These expenditures relate to unnecessary days spent at the ACA conference. The conference was for Saturday and Sunday. Expenses for these days were allowed. Expenses for meals and hotel stays for Friday, Monday and Tuesday were not considered necessary. Additionally, expenses related to attendance at a retirement party in Columbus and attending a funeral are not considered necessary business practices.

FINDING NUMBER 2006-004

Noncompliance Citation/Finding for Adjustment

Community Based Correctional Facility FY 04-05 and FY06-07 Grant Manual Section II C.6 (Pg. 15) requires that capital revenues be maintained in a separate account and do not include operating expenses. Capital as defined by the Office and Budget Management (OBM) is the cost of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, and/or equipping facilities.

During FY 06 and FY 05, capital expenditures totaling \$9,148 were made from 501 operating grant funds. Accordingly, capital related expenditures totaling \$9,148 were deemed unallowable in accordance with the Community Based Correctional Facility Grant Manual. Consequently, these unallowable expenditures had a negative impact on the amount refundable to ODRC, as detailed in the notes to the financial statements. The Stark Regional Community Correction Center should maintain capital revenues separately from 501 operating grant funds, and should not include capital expenses from operating revenues.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the 501 operating grant fund and in favor of the capital projects fund in the amount totaling \$9,148. The accompanying financial statements do not reflect this adjustment.

FINDING NUMBER 2006-004 (Continued)

Officials' Response: SRCCC has relied upon communication from ODRC Bureau of Community Sanctions staff that there are no "capital dollars" available for expenditures. SRCCC has also relied upon Bureau of Community Sanctions' documentation that proposed expenditures in upcoming fiscal years under the Construction Administration, and Maintenance (CAM) repairs to CBCFs will be paid for from operating dollars. Past ODRC practice has been to provide CBCFs with "capital dollars" only when a new expansion/construction project has been approved. SRCCC will seek additional guidance from ODRC on how to handle necessary capital expenditures in the future.

Auditor of State's Conclusion: SRCCC's staff did not produce documentation of their communication with ODRC stated in their response.

FINDING NUMBER 2006-005

Noncompliance Citation

Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II D.3.d.(5) (Pg. 21) require that proper inventory schedules must be maintained for all equipment items purchased with grant funds. Inventories must include the following information for all equipment: quantity, description, serial number, identification number, purchase price, date of acquisition, funds used to purchase, vendor, condition, and location. Inventory schedules must be submitted with the biennial grant application. In addition, **Community Based Correctional Facility FY 04-05 and FY 06-07 Grant Manual Section II E.2 (Pg. 22)** states that changes to the equipment category will require an updated equipment list for approval.

Updated inventory schedules were not maintained for all equipment items purchased with grant funds. For example, the inventory schedules submitted with the FY 06 grant application only included five vehicles while the Center actually owned 12 vehicles. The Stark Regional Community Correction Center should maintain complete, accurate, and up-to-date inventory schedules for all equipment items purchased with grant funds. In addition, these updated equipment lists should be submitted with changes to the equipment category for approval.

Officials' Response: According to the ODRC Grant Guidelines, "equipment purchased will remain property of ODRC for a period of five (5) years from the date acquisition. After the five year period, requests for transfer of equipment from the state to the program must be submitted." When submitting inventory lists with grant applications, only those items that are younger than five years have been included based upon the information in the ODRC Grant Guidelines. At no time, has ODRC requested a different list and ODRC has accepted the grant application (and inventory) as submitted. SRCCC believed that this was the equipment list the ODRC required. In the future SRCCC will submit a separate equipment list with each grant application or budget revision submitted to ODRC based upon the AOS recommendation.

Auditor of State's Conclusion: SRCCC had more equipment than they reported to ODRC. The SRCCC did not provide evidence that ODRC approved "transferring" the equipment from ODRC to the SRCCC.

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK 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	<p>Community Based Correctional Facility Grant Agreement, '02-'03 Part IV, D1.b, (Pg. 50), and '04-'05 Part II, D1.b, (Pg. 15) state 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, 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) state 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.</p>	No	Not Corrected – Refer to Finding Number 2006-001.
2004-002	<p>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 (included encumbrances) must not exceed the grant award.</p>	No	Not Corrected – Refer to Finding Number 2006-002.

Stark Regional Community Correction Center
 Stark County
 Schedule of Prior Audit Findings
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-003	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) state 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).	Yes	Finding No Longer Valid
2004-004	Encumbrances – 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.	Yes	Finding No Longer Valid



Mary Taylor, CPA
Auditor of State

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
JANUARY 31, 2008**