

EASTERN OHIO CORRECTION CENTER

JEFFERSON COUNTY, OHIO

AUDIT REPORT

For the Years Ended June 30, 2014 and 2013





Dave Yost • Auditor of State

Members of the Judicial Advisory Board and Facility Governing Board
Eastern Ohio Correction Center
PO Box 2400
Wintersville, Ohio 43953

We have reviewed the *Independent Auditor's Report* of the Eastern Ohio Correction Center, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2015

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EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Eastern Ohio Correction Center
Jefferson County
PO Box 2400
Wintersville, Ohio 43953

To the Members of the Judicial Advisory Board and Facility Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Eastern Ohio Correction Center, Jefferson County (the Center) as of and for the years ended June 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting practices the Ohio Department of Rehabilitation and Correction prescribes or permits; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Center prepared these financial statements using the accounting basis permitted by the Ohio Department of Rehabilitation and Correction, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

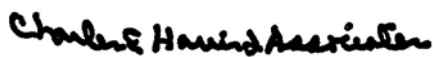
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and unpaid obligations of the Eastern Ohio Correction Center, Jefferson County as of June 30, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the accounting basis described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2014, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 26, 2014

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
EASTERN OHIO CORRECTION CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2014**

	<u>State Appropriations and Grants</u>			<u>Offender Funds</u>		<u>Totals</u>
	<u>ODRC 501-501</u>	<u>Federal Grant Match</u>	<u>Federal</u>	<u>RCA Resident Program</u>	<u>Offender Personal Funds</u>	
Cash Receipts:						
Intergovernmental	\$ 2,956,667	\$ 74,137	\$ 40,122	-	-	\$ 3,070,926
Receipts for offenders	-	-	-	-	\$ 187,639	187,639
Collections from offenders	-	-	-	\$ 14,921	-	14,921
Commissions	-	-	-	47,842	-	47,842
Reimbursements	-	-	378	29,897	200	30,475
Miscellaneous Receipts	-	-	-	3,132	-	3,132
Donations	-	-	-	2,000	-	2,000
Total Cash Receipts	<u>2,956,667</u>	<u>74,137</u>	<u>40,500</u>	<u>97,792</u>	<u>187,839</u>	<u>3,356,935</u>
Cash Disbursements:						
Personnel	2,115,202	-	-	-	-	2,115,202
Operating costs	508,339	-	-	30,736	-	539,075
Program costs	173,384	63,130	39,984	51,994	-	328,492
Equipment	25,880	-	-	10,054	-	35,934
Offender Disbursements:						
Offender legal obligations	-	-	-	-	3,783	3,783
Offender reimbursements	-	-	-	-	103,366	103,366
Offender payments to CBCF	-	-	-	-	56,888	56,888
Offender savings paid at exit	-	-	-	-	19,066	19,066
Total Cash Disbursements	<u>2,822,805</u>	<u>63,130</u>	<u>39,984</u>	<u>92,784</u>	<u>183,103</u>	<u>3,201,806</u>
Disbursements from prior FY (Including refund to ODRC)	<u>28,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,821</u>
Total Receipts Over/(Under) Disbursements	105,041	11,007	516	5,008	4,736	126,308
Fund Cash Balances, July 1, 2013	<u>99,665</u>	<u>46</u>	<u>19,893</u>	<u>21,332</u>	<u>3,316</u>	<u>144,252</u>
Fund Cash Balances, June 30, 2014	<u>\$ 204,706</u>	<u>\$ 11,053</u>	<u>\$ 20,409</u>	<u>\$ 26,340</u>	<u>\$ 8,052</u>	<u>\$ 270,560</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 124,328</u>					

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
EASTERN OHIO CORRECTION CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2013**

	<u>State Appropriations and Grants</u>				<u>Offender Funds</u>		Totals
	ODRC 501-501	Federal Grant Match	Federal	Capital CAP 003	RCA Resident Program	Offender Personal Funds	
Cash Receipts:							
Intergovernmental	\$ 2,876,148	\$ 58,201	\$ 45,095	-	-	-	\$ 2,979,444
Receipts for offenders	-	-	-	-	-	\$ 170,628	170,628
Collections from offenders	-	-	-	-	\$ 19,927	-	19,927
Commissions	-	-	-	-	47,624	-	47,624
Reimbursements	-	-	-	-	28,034	3,646	31,680
Miscellaneous Receipts	-	-	-	-	4,314	-	4,314
Donations	-	-	-	-	2,000	-	2,000
Total Cash Receipts	<u>2,876,148</u>	<u>58,201</u>	<u>45,095</u>	<u>-</u>	<u>101,899</u>	<u>174,274</u>	<u>3,255,617</u>
Cash Disbursements:							
Personnel	2,177,616	-	-	-	-	-	2,177,616
Operating costs	488,293	-	-	-	11,920	-	500,213
Program costs	180,682	58,449	63,855	-	62,681	-	365,667
Equipment	-	-	-	-	12,923	-	12,923
Capital project	-	-	-	\$ 167	-	-	167
Offender Disbursements:							
Offender legal obligations	-	-	-	-	-	2,920	2,920
Offender reimbursements	-	-	-	-	-	115,899	115,899
Offender payments to CBCF	-	-	-	-	-	36,849	36,849
Offender savings paid at exit	-	-	-	-	-	19,531	19,531
Total Cash Disbursements	<u>2,846,591</u>	<u>58,449</u>	<u>63,855</u>	<u>167</u>	<u>87,524</u>	<u>175,199</u>	<u>3,231,785</u>
Disbursements from prior FY (Including refund to ODRC)	<u>30,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,961</u>
Total Receipts Over/(Under) Disbursements	<u>(1,404)</u>	<u>(248)</u>	<u>(18,760)</u>	<u>(167)</u>	<u>14,375</u>	<u>(925)</u>	<u>(7,129)</u>
Fund Cash Balances, July 1, 2012, restated	<u>101,069</u>	<u>294</u>	<u>38,653</u>	<u>167</u>	<u>6,957</u>	<u>4,241</u>	<u>151,381</u>
Fund Cash Balances, June 30, 2013	<u>\$ 99,665</u>	<u>\$ 46</u>	<u>\$ 19,893</u>	<u>\$ -</u>	<u>\$ 21,332</u>	<u>\$ 3,316</u>	<u>\$ 144,252</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 29,435</u>						

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

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Eastern Ohio Correction Center (the Center) provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 76 male offenders at its facility in Wintersville and 25 female offenders at its facility in Lisbon. A Facilities Governing Board oversees the Center's operations. Common pleas judges from the counties the Center serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Center Governing Board and advises the Facilities Governing Board regarding Center matters. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

Belmont County	Carroll County	Columbiana County
Guernsey County	Harrison County	Jefferson County
Monroe County	Noble County	

The Center's management believes these financial statements present all activities for which the Center is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis 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 include adequate disclosure of material matters, as the Ohio Department of Rehabilitation and Corrections prescribes or permits.

C. Deposits and Investments

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

D. Fund Accounting

The Center uses fund accounting to segregate amounts that are restricted as to use. The Center classifies its funds into the following types:

1. 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.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

Federal Grant Match – Reports amounts received to meet any Federal program matching fund requirements.

Federal – Reports amounts received from the Federal government, including amounts passed through ODRC.

Capital CAP 003 – Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building of facilities.

2. Offender Funds

Resident Program Fund – Effective October 10, 2006, HB162 established the Resident Program Fund. Upon approval of the Center governing board, the director of the CBCF may establish a Resident Program Fund. The director shall deposit in the fund all revenues received by the Center from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services.

Offender Personal Funds – This fund reports amounts the Center receives and holds in a custodial capacity for each offender while confined. The Center holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Center makes payments as directed by the offender or per program requirements. Upon release, the Center pays remaining funds to the offender.

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 Jefferson 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 year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to the ODRC, unless the ODRC approves an extension. (See Note 4.)

A summary of 2014 and 2013 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Center records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(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. The financial statements do not include a liability for unpaid leave.

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the fiscal years ending June 30, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
Budget	Budgetary Disbursements	Variance
\$2,956,667	\$2,941,582	\$15,085

2013 Budgeted vs. Actual Budgetary Basis Disbursements		
Budget	Budgetary Disbursements	Variance
\$2,876,148	\$2,875,426	\$722

3. Equity in Pooled Deposits

Grants and State Appropriations

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

Offender Funds

The Center has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds.

4. Refund to ODRC

The agreement between the County and the 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 the ODRC. The schedule below computes the refund to the ODRC for the years ending June 30, 2014 and 2013. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered for the prior June 30. The Center refunds amounts computed below in the following fiscal year:

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

4. Refund to ODRC (continued)

Refund to ODRC		
	2014	2013
Cash, July 1	\$99,665	\$101,069
Disbursements Against Prior Year Budget	(\$28,821)	(\$30,961)
Payable to ODRC, July 1	-	-
Sub-Total	\$70,844	\$70,108
501 Cash Receipts	2,956,667	2,876,148
Budgetary Basis Disbursements	(2,941,582)	(2,875,426)
Amount Subject to Refund, June 30	\$85,929	70,830
One-Twelfth of 501 Award	(246,389)	(239,679)
Refundable to ODRC	\$ (160,460)	\$ (168,849)

5. Retirement Systems

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). Certified teachers belong to the State Teachers Retirement System (STRS). OPERS and STRS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Center contributed an amount equaling 14% of participants' gross salaries. For 2014 and 2013, STRS members contributed 10% of their gross salaries to STRS. The Center contributed an amount equal to 14% of participants' gross salaries to STRS. The Center has paid all contributions required through June 30, 2014.

6. Risk Management

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a primary group and excess insurance/self insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' error and omissions liability insurance.

Each member, one from each member county, has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member's County's control over budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the members Counties' obligation to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The County does not have an equity interest or a financial responsibility.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

7. 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, 2014.

8. Prior Period Adjustment

An adjustment of prior period fund balances was necessary due to an error in the previous audit report to reconcile the cash balance to the fiscal agent's book balance.

	<u>General Fund</u>
Fund Cash Balance, Previously Reported at June 30, 2012	\$ 3,585
Adjustments	<u>(3,291)</u>
Restated Fund Balance, July 1, 2012	<u><u>\$ 294</u></u>

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Eastern Ohio Correction Center
Jefferson County
PO Box 2400
Winterville, Ohio 43953

To the Members of the Judicial Advisory Board and Facility Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Eastern Ohio Correction Center, Jefferson County (the Center), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2014, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitation and Correction prescribes or permits rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.


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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated December 26, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 26, 2014



Dave Yost • Auditor of State

EASTERN OHIO CORRECTION CENTER

JEFFERSON 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 16, 2015**