

***CUYAHOGA COUNTY COMMUNITY BASED
CORRECTIONAL FACILITY***

CUYAHOGA COUNTY, OHIO

AUDIT REPORT

For the Years Ended June 30, 2016 and 2015



Dave Yost • Auditor of State

Governing Board
Cuyahoga County Community Based Correctional Facility
3540 Croton Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cuyahoga County Community Based Correctional Facility, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2016. 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 Cuyahoga County Community Based Correctional Facility is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 28, 2017

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**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

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

INDEPENDENT AUDITOR'S REPORT

Cuyahoga County Community Based Correctional Facility
Cuyahoga County
3540 Croton Avenue
Cleveland, Ohio 44115

To the Members of the Facility Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund, and related notes of the Cuyahoga County Community Based Correctional Facility, Cuyahoga County (the Facility) as of and for the years ended June 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections 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 Facility'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 Facility'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 Facility prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Department of Rehabilitation and Corrections, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Facility does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Rehabilitation and Corrections permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Facility as of June 30, 2016 and 2015, 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 cash balances, receipts and disbursements for each fund of the Cuyahoga County Community Based Correctional Facility, Cuyahoga County as of June 30, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, 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 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 Facility's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 20, 2017

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2016

	State Appropriations and Grants			Offender Funds					GRAND TOTALS
	ODRC 501-501	Oriana House Subsidy	PROGRAM TOTALS	Resident Program Fund	Offender Personal Funds	Resident Funds Allowable Costs	Other/ Misc.	OFFENDER TOTALS	
Cash Receipts:									
Intergovernmental	\$ 5,988,250	-	\$ 5,988,250	-	-	-	-	-	\$ 5,988,250
Collections from offenders	-	-	-	\$ 20,621	\$ 91,770	-	\$ 42,103	\$ 154,494	154,494
Commissions	-	42,478	42,478	-	-	\$ 26,171	26,796	52,967	95,445
Total Cash Receipts	5,988,250	42,478	6,030,728	20,621	91,770	26,171	68,899	207,461	6,238,189
Cash Disbursements:									
Personnel	4,348,246	5,009	4,353,255	-	-	-	-	-	4,353,255
Operating costs	1,360,956	-	1,360,956	-	-	-	-	-	1,360,956
Program costs	176,809	-	176,809	-	-	-	-	-	176,809
Equipment	12,306	-	12,306	-	-	-	-	-	12,306
Offender Disbursements:									
Offender legal expenses	-	-	-	-	834	-	-	834	834
Offender reimbursements	-	-	-	35,137	-	-	86,356	121,493	121,493
Offender savings paid at exit	-	-	-	-	88,673	-	-	88,673	88,673
Total Cash Disbursements	5,898,317	5,009	5,903,326	35,137	89,507	-	86,356	211,000	6,114,326
Disbursements from prior FY (including refund to ODRC)	(145,613)	-	(145,613)	-	-	-	-	-	(145,613)
Other Sources (Uses)									
Interest earned	63	-	63	-	-	-	-	-	63
Total Other Sources (Uses)	63	-	63	-	-	-	-	-	63
Total Receipts Over/(Under) Disbursements	(55,617)	37,469	(18,148)	(14,516)	2,263	26,171	(17,457)	(3,539)	(21,687)
Fund Cash Balances, July 1, 2015	839,150	(44,279)	794,871	29,268	10,945	58,790	67,346	166,349	961,220
Fund Cash Balances, June 30, 2016	\$ 783,533	\$ (6,810)	\$ 776,723	\$ 14,752	\$ 13,208	\$ 84,961	\$ 49,889	\$ 162,810	\$ 939,533
Unpaid Obligations/Open Purchase Orders	\$ 398,823								

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2015**

	<u>State Appropriations and Grants</u>			<u>Offender Funds</u>					<u>GRAND TOTALS</u>
	<u>ODRC 501-501</u>	<u>Oriana House Subsidy</u>	<u>PROGRAM TOTALS</u>	<u>Resident Program Fund</u>	<u>Offender Personal Funds</u>	<u>Resident Funds Allowable Costs</u>	<u>Other/ Misc.</u>	<u>OFFENDER TOTALS</u>	
Cash Receipts:									
Intergovernmental	\$ 5,856,125	-	\$ 5,856,125	-	-	-	-	-	\$ 5,856,125
Collections from offenders	-	-	-	\$ 17,284	\$ 87,194	-	\$ 43,416	\$ 147,894	147,894
Commissions	-	-	-	-	-	\$ 23,238	18,630	41,868	41,868
Total Cash Receipts	5,856,125	-	5,856,125	17,284	87,194	23,238	62,046	189,762	6,045,887
Cash Disbursements:									
Personnel	4,360,169	20,345	4,380,514	-	-	-	-	-	4,380,514
Operating costs	1,273,194	23,934	1,297,128	-	-	-	-	-	1,297,128
Program costs	197,091	-	197,091	-	-	-	-	-	197,091
Equipment	1,199	-	1,199	-	-	-	-	-	1,199
Offender Disbursements:									
Offender legal expenses	-	-	-	-	257	-	-	257	257
Offender reimbursements	-	-	-	22,875	-	-	43,623	66,498	66,498
Offender savings paid at exit	-	-	-	-	82,940	-	-	82,940	82,940
Total Cash Disbursements	5,831,653	44,279	5,875,932	22,875	83,197	-	43,623	149,695	6,025,627
Disbursements from prior FY (including refund to ODRC)	(218,575)	-	(218,575)	-	-	-	-	-	(218,575)
Other Sources (Uses)									
Interest earned	281	-	281	-	-	-	-	-	281
Total Other Sources (Uses)	281	-	281	-	-	-	-	-	281
Total Receipts Over/(Under) Disbursements	(193,822)	(44,279)	(238,101)	(5,591)	3,997	23,238	18,423	40,067	(198,034)
Fund Cash Balances, July 1, 2014	1,032,972	-	1,032,972	34,859	6,948	35,552	48,923	126,282	1,159,254
Fund Cash Balances, June 30, 2015	\$ 839,150	\$ (44,279)	\$ 794,871	\$ 29,268	\$ 10,945	\$ 58,790	\$ 67,346	\$ 166,349	\$ 961,220
Unpaid Obligations/Open Purchase Orders	\$ 463,026								

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Cuyahoga County Community Based Correctional Facility, Cuyahoga County, Ohio, (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 170, and 195 offenders as of June 30, 2016 and 2015, respectively. The Facility's Governing Board administers the Facility. The Board is comprised of eleven members serving three year terms.

The Facility began operations on January 1, 2011. For the years ended June 30, 2016 and 2015, the financial statements present all funds related to the Facility.

The Facility's Governing Board has contracted Facility operation responsibilities to Oriana House, Inc., a non profit organization. Oriana House is responsible for essentially all management decisions related to the Facility, subject to the Facility's Governing Board's oversight.

B. Basis of Accounting

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

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

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

C. Cash

At June 30, 2016 and 2015, the carrying value of the Facility's cash fund balances were \$939,533 and \$961,220, respectively.

During 2016 and 2015 cash is held in demand deposits, a money market account and petty cash.

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.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Oriana House Subsidy

Oriana House Subsidy consists of fiscal support provided by the managing nonprofit agency in excess of the costs financed by the 501-501 funding.

Offender Funds

Resident Program 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).

Offender Personal Funds:

Reports 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.

Resident Funds Allowable Costs:

Reports amounts received from telephone commissions generated by calls offenders place to locations outside the Facility. The Facility spends this money for programs and services benefiting the offenders.

Other / Miscellaneous:

Reports amounts received from vending machine commission generated by purchases offenders make in the Facility. The Facility spends this money for programs and services benefiting the offenders. Also includes amounts reimbursed by offenders for cab and bus fees incurred by the facility on their behalf, and other offender related items.

E. Budgetary Process

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.

Cuyahoga County Community Based Correction Facility conforms to the purchasing guidelines approved by the Facility's Governing Board.

A summary of fiscal years 2016 and 2015 budgetary activity appears in Note 2.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

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 for this report.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ended 2016 and 2015 are as follows:

2016 Budgeted vs. Actual Budgetary Basis Disbursements		
Budget	Budgetary Disbursements	Variance
\$ 5,988,250	\$ 5,982,459	\$ 5,791
2015 Budgeted vs. Actual Budgetary Basis Disbursements		
Budget	Budgetary Disbursements	Variance
\$ 5,856,125	\$ 5,854,323	\$ 1,802

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

The Facility has Federal Deposit Insurance Corporation (FDIC) coverage for up to \$250,000 of its demand deposit accounts. Excess deposits are collateralized in the bank's collateral pool.

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. Excess deposits are collateralized in the bank's collateral pool.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

4. 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, 2016 and 2015. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30.

Refund to ODRC		
	2016	2015
Cash, July 1	\$ 794,871	\$ 1,032,972
Disbursements Against Prior Year Budget	\$ (145,613)	\$ (218,575)
Subsidy Receipts	\$ (2,616)	\$ (15,471)
Sub-Total	<u>\$ 646,642</u>	<u>\$ 798,926</u>
501 Cash Receipts	\$ 5,988,250	\$ 5,856,125
Increase <Decrease> Interest on 1/12th account	\$ 63	\$ 281
Budgetary Basis Disbursements	\$ (5,982,459)	\$ (5,854,323)
Receivable Other - OHI	\$ 44,778	\$ 1,802
increase<decrease> Pension plan payable 403-B	\$ (62)	\$ 200
Increase<decrease> in Contingent Benefit Liability	\$ 10,960	\$ 2,001
Increase<decrease> in misc payable personnel	\$ (3,312)	\$ 6,071
Increase<decrease> in Reserve for Comp Absences	\$ (74,822)	\$ (47,644)
Amount Subject to Refund, June 30	<u>\$ 630,037</u>	<u>\$ 763,439</u>
Reserve for Comp. Absences	\$ (170,778)	\$ (245,600)
Reserve for Contingent Benefit Liability	\$ (41,099)	\$ (30,140)
Payable to ODRC from prior year	\$ (33,384)	\$ (108,496)
Up to One-Twelfth of 501 Award Cash Reserve	\$ (384,713)	\$ (378,922)
Refundable to ODRC	<u>\$ 63</u>	<u>\$ 281</u>
Calculation of Payable to ODRC		
	2016	2015
Payable, July 1	\$ 33,384	\$ 108,497
Cash Refunded	\$ -	\$ (75,394)
Refundable to ODRC, Current fiscal year	\$ 63	\$ 281
Payable, June 30	<u>\$ 33,447</u>	<u>\$ 33,384</u>

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

5. RESERVE FOR COMPENSATED ABSENCES AND CONTINGENT BENEFIT LIABILITY

During fiscal year 2011, the Facility received permission from the Ohio Department of Rehabilitation and Corrections to accrue employee vacation and sick leave as grant expenditures at the time the leave was earned and to reduce the accrual balance when leave is used. At June 30, 2016 and 2015, \$170,778 and \$245,600, respectively, was included in the 501-501 Fund Cash Balance for this reserve.

During fiscal year 2011 the facility began recognizing the retention plan for key employees on a monthly basis when the benefits are earned; and reduce the liability when the benefits are paid. Prior to this, the expense was recognized by the facility when paid. At June 30, 2016 and 2015, \$41,099 and \$30,140, respectively, was included in the 501-501 Fund Cash Balance for this reserve as a Contingent Benefit Liability.

6. RETIREMENT SYSTEM

The employees of the Community Based Correctional Facility contribute to Social Security.

7. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

8. CONTINGENT LIABILITIES

The Community Based Correctional Facility is not currently a defendant in any lawsuits.

9. RELATED PARTY TRANSACTION

The Facility paid Oriana House Inc. rentals of \$22,524 and \$22,524, for fiscal years June 30, 2016 and 2015.

10. ADVANCES IN FROM/OUT TO AGENCY

Cash advances from the managing nonprofit agency are made to the Facility's checking account on an "as needed" basis, due to delays in receiving quarterly funding from the State or the County. These advances are used to cover payroll, benefits, various expenses and outstanding checks. The amount needed to fund the Facility checking account is determined by reconciliation and cash needs analysis on the Facility checking account. When the quarterly funding is received, the advances are repaid. During fiscal years 2016 and 2015, there were three fund advances.

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

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

Cuyahoga County Community Based Correctional Facility
Cuyahoga County
3540 Croton Avenue
Cleveland, Ohio 44115

To the Members of the 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 the cash balances, receipts, and disbursements for each fund of the Cuyahoga County Community Based Correctional Facility, Cuyahoga County (the Facility), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2017, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections prescribes or permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Facility'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 Facility'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 Facility'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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, 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*.

Entity's Response to Finding

The Facility's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Facility's response and, accordingly, we express no opinion on it.

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 Facility's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Facility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
January 20, 2017

CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY
Schedule of Findings
June 30, 2016 and 2015

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

Finding Number 2016-001 - Material Weakness

Although the day to day GAAP basis of accounting was deemed to be accurate, we noted several instances where errors were made during the conversion from the GAAP basis to the cash basis of accounting that the Ohio Department of Rehabilitation and Corrections and Auditor of State prescribes or permits for reporting purposes. The more significant misclassifications included the following:

- During each year, the Offender Funds – Other/Miscellaneous Fund included all Accounts Payables for each year, rather than just cash receipts and disbursements, thus resulting in the overstatement of receipts and disbursements.
- During each year, the Facility misclassified all Offender Funds receipts as Collection from Offenders, rather than properly segregating the amounts received as Collection from Offenders and the amounts received as Commissions.
- During 2016, the Facility misclassified the amounts receipted into the Oriana House Subsidy Fund as Collection from Offenders, rather than Commissions.

The accompanying financial statements and the Facility's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Facility and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Facility adopt policies and procedures to identify and correct errors and omissions in the conversion from GAAP to cash process in a timely manner. Management can use the guidance provided by the Ohio Department of Rehabilitation and Corrections, as well as other Auditor of State guidance to aid in properly identifying account classifications and fund balance classifications.

Management's Response:

See Corrective Action Plan.

CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
Cuyahoga County

Schedule of Prior Audit Findings
June 30, 2016 and 2015

The prior report, for the years ending June 30, 2014 and 2013, reported no material citations or recommendations.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**CORRECTIVE ACTION PLAN
June 30, 2016 and 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	<p>We agree with corrections made by Charles E. Harris during the audit and we recognize that items noted did materially impact the amounts shown as Receipts and Disbursements but did not materially impact the ending cash balances or the Total Receipts Over (Under) Disbursements.</p> <p>As noted by Charles E. Harris, the “day to day GAAP basis of accounting was deemed to be accurate” so there were no issues with how the funds were utilized or any discrepancy with the total amount of cash at each plan year end. The issue was almost entirely due to misclassifications made while converting from GAAP basis to Cash Basis. We also regret that the previous year’s audits also had these issues, although undetected during the audits.</p> <p>The Management at Oriana House, Inc. take these findings seriously and we are committed to implementing controls to ensure that these types of issues do not re-occur. We will also be having further discussions with Charles E. Harris and the Auditor of State’s Office to determine if we can report on GAAP basis accounting instead of Cash basis since the errors were due to this conversion.</p> <p><u>Corrective Action Plan:</u></p> <ul style="list-style-type: none"> • Explore whether we are required to submit cash basis statements. • Ensure that the Offender cash receipts and disbursements do not include transactions processing through the accounts payable account. • Ensure that the expenditures made in the subsidy account in a year are shown as receipts in the following year. • Ensure that proper classification of Commissions vs. Subsidy receipts are reflected in the Statement’s Cash Receipts. 	Next fiscal year	Kristen Horak, Controller



Dave Yost • Auditor of State

CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY

CUYAHOGA 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 11, 2017**