



OHIO AUDITOR OF STATE
KEITH FABER



**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY
JUNE 30, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

SEPTA Correctional Facility
Athens County
7 W. Twenty-Nine Drive
Nelsonville, Ohio 45764

To the Members of the Judicial Advisory Board and 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 the related notes of the SEPTA Correctional Facility, Athens County, Ohio (the Facility), as of and for the years ended June 30, 2018 and 2017.

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 2 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 these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis 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, 2018 and 2017, 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 SEPTA Correctional Facility, Athens County, Ohio, as of and for the years ended June 30, 2018 and 2017 in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

Emphasis of Matter Regarding Going Concern

As discussed in Note 9 to the financial statements, on January 30, 2019, the Facility Governing Board approved a resolution to dissolve SEPTA Correctional Facility as a legal entity effective July 1, 2019 to become part of the political subdivision known as Star Community Justice Center. Note 9 describes Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is unmodified regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2019

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
SEPTA CORRECTIONAL FACILITY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - REGULATORY CASH BASIS (ALL FUNDS)
FOR THE YEAR ENDED JUNE 30, 2018**

	State Appropriations and Grants			Offender Funds			Totals
	ODRC 501-501	Federal	Capital CAP 003	Resident Program Funds	Offender Personal Funds	Section 125 Benefit Plan	
Cash Receipts:							
Intergovernmental	\$2,700,247	\$0	\$29,593	\$0	\$0	\$0	\$2,729,840
Receipts for Offenders	0	0	0	0	155,627	0	155,627
Collections from Offenders							
for Reimbursement	0	0	0	23,989	0	0	23,989
for Work Release	0	0	0	11,710	0	0	11,710
for Commissary Reimbursement	0	0	0	14,892	0	0	14,892
for Per Diem	0	0	0	18,695	0	0	18,695
Commissions	0	0	0	13,218	0	0	13,218
Miscellaneous Revenue	6,226	0	0	3,623	0	0	9,849
Total Cash Receipts	2,706,473	0	29,593	86,127	155,627	0	2,977,820
Cash Disbursements:							
Personnel	1,729,623	0	0	0	0	0	1,729,623
Operating Costs	579,744	0	29,593	0	0	100	609,437
Program Costs	134,694	0	0	61,332	0	0	196,026
Equipment	11,697	0	0	0	0	0	11,697
Offender Disbursements:							
Offender Legal Obligations	0	0	0	0	30,461	0	30,461
Offender Payments to ODRC:							
for Work Release	0	0	0	0	11,710	0	11,710
for Per Diem	0	0	0	0	18,695	0	18,695
for Commissary/Personal Care	0	0	0	0	46,598	0	46,598
for Nurse	0	0	0	0	15	0	15
for Sales Commissions	0	0	0	0	4,190	0	4,190
Offender Miscellaneous Payments	0	0	0	0	27,421	0	27,421
Offender Savings Paid at Exit	0	0	0	0	56,229	0	56,229
Total Cash Disbursements	2,455,758	0	29,593	61,332	195,319	100	2,742,102
Non-Operating Receipts/Disbursements							
Indigent Support	0	0	0	(28,080)	28,080	0	0
Disbursements from Prior FY (Including refund to ODRC)	81,317	0	0	0	0	0	81,317
Total Receipts Over/(Under) Disbursements	169,398	0	0	(3,285)	(11,612)	(100)	154,401
Fund Cash Balances, July 1, 2017	314,180	11,583	0	82,894	14,107	2,800	425,564
Fund Cash Balances, June 30, 2018	<u>\$483,578</u>	<u>\$11,583</u>	<u>\$0</u>	<u>\$79,609</u>	<u>\$2,495</u>	<u>\$2,700</u>	<u>\$579,965</u>
Unpaid Obligations/Open Purchase Orders	<u>\$217,714</u>						

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

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Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

The SEPTA Correctional Facility, Athens County (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 52 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Athens County	Hocking County	Meigs County
Morgan County	Perry County	Vinton County
Fairfield County	Jackson County	Gallia County
Washington County	Licking County	Muskingum County

For the year ended June 30, 2018, the financial statement presents all funds related to the Facility.

The Facilities Governing Board has contracted Facility operations to Star Community Justice Center. Star Community Justice Center is responsible for essentially all management decisions related to the Facility, subject to the Facility Governing Board's oversight.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

State Appropriations and Grants

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

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

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Offender Funds

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

Resident Program Funds Are amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Revised Code 2301.58. This fund receives other Offender funds such as telephone and commissary commissions, vending commissions and facility recycling etc. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Resident Trust Fund reimburses this Fund for costs chargeable to Offender Funds.

Other Funds

Section 125 Benefit Plan Reports receipts and disbursements related to employee withholdings and submissions for reimbursement for a Section 125 health care program. Pre-tax dollars are withheld and deposited into the fund. Eligible health care expenses are approved by AFLAC and authorized for disbursement. The Facility issues payment for approved expenses.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

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.

Encumbrances Disbursements from State appropriations and Grants are subject to Athens County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 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 ODRC, unless ODRC approves an extension. (See Note 3)

A summary of 2018 budgetary activity appears in Note 5.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Deposits and Investments

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

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

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.

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2018 follows:

2018 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$2,763,573	\$2,673,472	\$90,101
\$2,763,573	\$2,673,472	\$90,101

Note 4 – Collateral on Deposits and Investments

Grants and State Appropriations The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

Offender Funds

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Refund to ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation below.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Refund to ODRC

	2018
Cash, July 1	\$380,854
Disbursements Against Prior Year Budget	(\$80,815)
Payable to ODRC, July 1	(\$502)
Sub-Total	\$299,537
501 Cash Receipts	2,763,573
Budgetary Basis Disbursements	(2,667,246)
Amount Subject to Refund, June 30	\$395,864
One-Twelfth of 501 Award	(230,298)
Refundable to ODRC	\$165,566

Calculation of Payable to ODRC

	2018
Payable, July 1	70,900
Cash Refunded	(502)
Refundable to ODRC, June 30	165,566
Payable, June 30	235,964

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Facility pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Facility has obtained commercial insurance for the following risks

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Facility contributed an amount equaling 14 percent, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2018.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Subsequent Events

Included in the Budgetary Disbursements for 2018 are \$217,714 in expenses that were incurred prior to the end of the fiscal year but were not paid until after June 30, 2018.

On January 30, 2019, the Facility Governing Board approved a resolution to dissolve SEPTA Correctional Facility as a legal entity effective July 1, 2019 to become part of the political subdivision known as Star Community Justice Center. The resolution also requested the Ohio Department of Rehabilitation and Correction Bureau of Community Sanctions direct all grant funds previously allocated to the SEPTA Correctional Facility to Star Community Justice Center.

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**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
SEPTA CORRECTIONAL FACILITY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - REGULATORY CASH BASIS (ALL FUNDS)
FOR THE YEAR ENDED JUNE 30, 2017**

	State Appropriations and Grants			Offender Funds		Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Capital CAP 003	Resident Program Funds	Offender Personal Funds		
Cash Receipts:							
Intergovernmental	\$2,683,000	\$0	\$38,000	\$0	\$0	\$0	\$2,721,000
Receipts for Offenders	0	0	0	0	330,262	0	330,262
Collections from Offenders							
for Reimbursement	0	0	0	24,164	0	0	24,164
for Work Release	0	0	0	24,101	0	0	24,101
for Commissary Reimbursement	0	0	0	21,140	0	0	21,140
for Per Diem	0	0	0	32,044	0	0	32,044
Commissions	0	0	0	20,594	0	0	20,594
Reimbursement	125,012	0	0	0	0	0	125,012
Miscellaneous Revenue	30,747	0	0	1,626	0	0	32,373
Total Cash Receipts	2,838,759	0	38,000	123,669	330,262	0	3,330,690
Cash Disbursements:							
Personnel	1,833,847	0	0	0	0	0	1,833,847
Operating Costs	658,953	0	38,000	0	0	120	697,073
Program Costs	189,296	0	0	207,859	0	0	397,155
Equipment	25,238	0	0	0	0	0	25,238
Offender Disbursements:							
Offender Legal Obligations	0	0	0	0	53,281	0	53,281
Offender Payments to ODRC:							
for Work Release	0	0	0	0	24,101	0	24,101
for Per Diem	0	0	0	0	32,044	0	32,044
for Commissary/Personal Care	0	0	0	0	99,594	0	99,594
for Nurse	0	0	0	0	935	0	935
for Physician	0	0	0	0	1,980	0	1,980
for Sales Commissions	0	0	0	0	8,150	0	8,150
Offender Miscellaneous Payments	0	0	0	0	23,554	0	23,554
Offender Savings Paid at Exit	0	0	0	0	120,094	0	120,094
Total Cash Disbursements	2,707,334	0	38,000	207,859	363,733	120	3,317,046
Non-Operating Receipts/Disbursements							
Indigent Support	0	0	0	(19,152)	19,152	0	0
Total Receipts Over/(Under) Disbursements	131,425	0	0	(103,342)	(14,319)	(120)	13,644
Fund Cash Balances, July 1, 2016	182,755	11,583	0	186,236	28,426	2,920	411,920
Fund Cash Balances, June 30, 2017	<u>\$314,180</u>	<u>\$11,583</u>	<u>\$0</u>	<u>\$82,894</u>	<u>\$14,107</u>	<u>\$2,800</u>	<u>\$425,564</u>
Unpaid Obligations/Open Purchase Orders	<u>\$80,815</u>						

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

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Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

The SEPTA Correctional Facility, Athens County (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 63 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Athens County	Hocking County	Meigs County
Morgan County	Perry County	Vinton County
Fairfield County	Jackson County	Gallia County
Washington County	Licking County	Muskingum County

For the year ended June 30, 2017, the financial statement presents all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

State Appropriations and Grants

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

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

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

Offender Funds

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Resident Program Funds Are amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Revised Code 2301.58. This fund receives other Offender funds such as telephone and commissary commissions, vending commissions and facility recycling etc. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Resident Trust Fund reimburses this Fund for costs chargeable to Offender Funds.

Other Funds

Section 125 Benefit Plan Reports receipts and disbursements related to employee withholdings and submissions for reimbursement for a Section 125 health care program. Pre-tax dollars are withheld and deposited into the fund. Eligible health care expenses are approved by AFLAC and authorized for disbursement. The Facility issues payment for approved expenses.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

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.

Encumbrances Disbursements from State appropriations and Grants are subject to Athens County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 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 ODRC, unless ODRC approves an extension. (See Note 3)

A summary of 2017 budgetary activity appears in Note 5.

Deposits and Investments

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

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

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.

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2017 follows:

2017 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$2,749,674	\$2,788,149	(\$38,475)
\$2,749,674	\$2,788,149	(\$38,475)

Note 4 – Collateral on Deposits and Investments

Grants and State Appropriations The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

Offender Funds

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Refund to ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation below.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Refund to ODRC	
	2017
Cash, July 1	\$182,755
Disbursements Against Prior Year Budget	-
Payable to ODRC, July 1	(\$502)
Sub-Total	\$182,253
501 Cash Receipts	2,749,674
Budgetary Basis Disbursements	(2,632,390)
Amount Subject to Refund, June 30	\$299,537
One-Twelfth of 501 Award	(229,140)
Refundable to ODRC	\$70,397
Calculation of Payable to ODRC	
	2017
Payable, July 1	502
Cash Refunded	-
Refundable to ODRC, June 30	70,398
Payable, June 30	70,900

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Facility pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Facility has obtained commercial insurance for the following risks

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Facility contributed an amount equaling 14 percent, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2017.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
SEPTA Correctional Facility
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Note 9 – Subsequent Events

Included in the Budgetary Disbursements for 2017 are \$80,815 in expenses that were incurred prior to the end of the fiscal year but were not paid until after June 30, 2017.

On January 30, 2019, the Facility Governing Board approved a resolution to dissolve SEPTA Correctional Facility as a legal entity effective July 1, 2019 to become part of the political subdivision known as Star Community Justice Center. The resolution also requested the Ohio Department of Rehabilitation and Correction Bureau of Community Sanctions direct all grant funds previously allocated to the SEPTA Correctional Facility to Star Community Justice Center.

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OHIO AUDITOR OF STATE KEITH FABER



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The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

SEPTA Correctional Facility
Athens County
7 W. Twenty-Nine Drive
Nelsonville, Ohio 45764

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 the cash balances, receipts and disbursements for each fund of the SEPTA Correctional Facility, Athens County, Ohio (the Facility), as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements and have issued our report thereon dated August 29, 2019, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections prescribes or permits and wherein we noted the Facility approved a resolution to dissolve SEPTA Correctional Facility as a legal entity effective July 1, 2019 to become part of the political subdivision known as Star Community Justice Center.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weakness and a significant deficiency.

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 a 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. We consider findings 2018-004 through 2018-007 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-003 described in the accompanying Schedule of Findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items as 2018-001 through 2018-004.

Facility's Response to Findings

The Facility's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Facility's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2019

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance

Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.A, provides that the Quarterly Financial Reports must be filed with the Bureau of Community Sanctions to account for grant expenditures. Section II.G.5. requires the CBCF to submit quarterly financial reports within 30 days following the end of the quarter. A final year-end financial report must be submitted by September 30th following the fiscal year using the Year-End Reconciliation column in the Cash Flow Section of the Final Report. A final year-end financial report must be submitted following the fiscal year using the Year-end Reconciliation (through the IntelliGrant systems). These reports are due no later than October 15 after the fiscal year end and must be submitted to the Bureau of Community Sanctions Business Office.

Contrary to the requirement, the Facility did not submit two of the Fiscal Year 2017 quarterly reports and three of the Fiscal Year 2018 quarterly reports by the required date. The Operations Manager filed the 2017 third and fourth fiscal year quarterly reports 88 and 1 days past due, respectively. The Operations Manager filed the 2018 second, third, and fourth fiscal year quarterly reports 37, 93, and 7 days past due, respectively. Additionally, he failed to submit the 2017 final report by the required date, 17 days past due, and the 2018 final report was filed 5 days past due.

The Facility should submit all reports by the required date.

Official's Response: It is unknown what circumstances caused SEPTA's Operations Manager to file the 2017 third and fourth fiscal year quarterly reports 88 and 1 days past due, the 2018 second year quarterly report 37 days past due, and the 2017 final report 17 days past due. This is unknown because STAR was not there at this time nor could documentation be found to understand why this was done. Regarding the Operations Manager filing the 2018 third and fourth fiscal year quarterly reports 93 and 7 days past due, along with the 2018 final report being filed 5 days past due; SEPTA was going through a program redesign during this time wherein all employees were responsible to continue doing their job responsibilities. However, these dates show this was not happening which is a greater indicator as to why much of the previous SEPTA staff no longer work at the facility. Moving forward, the facility will be more mindful of these dates per the grant manual.

FINDING NUMBER 2018-002

Noncompliance

Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.G permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. A facility can retain the lesser of June 30 cash or 1/12 of the current year's 501 budget. The Facility must refund any excess over this amount to ODRC.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-002 (Continued)

Noncompliance- Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.G (Continued)

The Facility Operations Manager did not properly calculate the balance at June 30, for Fiscal Year 2017 or Fiscal Year 2018. The Facility paid \$502 to ODRC for a refund due from a prior fiscal year. The total due at June 30 should have been \$70,398 and \$165,566 for 2017 and 2018, respectively, totaling \$235,964 for the current audit period. Failure to properly report and remit grant funding can result in penalties by the grantor.

The Facility should calculate balances according to the grant manual and remit refunds due to ODRC in a timely manner.

Official's Response: It is unknown the circumstances that prevented the Fiscal Year 2017 grant fund balance to be calculated correctly and caused the 1/12th fund calculation to be incorrect as STAR was not there at that time nor could documentation be found to understand why this was done. Regarding the 2018 Fiscal Year fund balance not being calculated correctly, it was believed that the previous fiscal year had been done correctly and since it was not, this caused 2018 to be off.

FINDING NUMBER 2018-003

Noncompliance and Significant Deficiency

Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.D.3.d(5) provides that proper inventory schedules 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 application.

The Facility did not maintain and submit these inventory schedules with the applications as required. This could result in action taken by the grantor.

The Facility's management should track all equipment in inventory schedules and submit an accurate and complete listing with the ODRC. Further, the Facility should seek to ensure segregation of duties is in place over the inventory schedules.

Official's Response: It is unknown what circumstances prevented SEPTA from maintaining and submitting their inventories with their applications. This is unknown because STAR was not there at that time nor could documentation be found to understand why this was done. In the future, STAR can ensure an accurate and complete listing be submitted to ODRC.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-004

Noncompliance and Material Weakness- Bank Reconciliations

Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.G.1 provides that Community-Based Correctional Facilities must maintain accurate and legible accounting records to prepare financial reports. Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.G.5.1 states that CBCF cash balances must be reconciled with the county auditor records and non-profit entities monthly.

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Facility prepared bank reconciliations for the Resident Program Fund and Offender Personal Fund during 2018 and 2017. However, the underlying reports used for the reconciliations did not reflect prior audit adjustments and were, therefore, not accurate. Further, the Business Manager reconciled the Offender Personal Fund bank statement to the QuickBooks system used by the Facility but not to the underlying resident accounting system.

This resulted in \$1,764 included in the bank balances for the Offender Personal Fund which exceeded the amount in the underlying resident accounting system. Pertaining to the remaining funds, the Facility maintained monthly balances for the State Appropriations and Grants funds during the audit period. However, the Facility Business Manager did not reconcile cash balances to the Fiscal Agent reported balances monthly. Additionally, the reconciliations were not presented to the Executive Director or the Board for review.

Failure to accurately reconcile monthly increases the possibility that the Facility will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations lead to inaccurate reporting in the annual financial statements.

The Operations Manager should record all transactions and prepare accurate monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. Additionally, the individual resident balances should be reconciled to the resident book balance along with reconciling the book balance to the bank records.

Official's Response: It is unknown what circumstances prevented SEPTA's Business Manager from reconciling the Resident Program Fund and Offender Personal Fund. This is unknown because she is no longer there at the facility and no documentation was left detailing why this happened. Furthermore, it does not appear that was part of their practice in presenting the reconciliations to their Executive Director of Board for review. In the future, STAR can ensure these funds are reconciled and presented to the Board for review.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-005

Material Weakness- Segregation of Duties

Segregation of duties is a process in which key duties and responsibilities are divided or segregated among different individuals in order to reduce the risk of error, misuse, or fraud. Inadequate segregation of duties can increase the risk of errors going undetected, misuse, or fraud.

The Facility maintains a variety of account activity through their QuickBooks Accounting System for items such as Resident Program and Resident Trust funds activity. This system provides an array of reports the Facility can use to monitor the activity in the accounts, as well as the ability to reconcile the ending cash each month.

The Facility's Finance Manager was responsible for reconciling these accounts during the audit period, as well as posting transactions to the system and making deposits. The Finance Manager and Operations Manager performed most financial functions of the facility. There was no process in place requiring someone else review or monitor the reconciliation process or any other type of activity posted to the QuickBooks accounting system on a regular basis.

Further, review of financial reports covering the activity in these accounts by the Board or Executive Director was limited. This could result in inaccurate reporting in the system, in addition to increased risk of misuse, fraud, and errors going undetected for an extended period of time.

The Board should review its processes and procedures to identify areas in which segregation of duties can be increased. Items to consider include the following:

- The responsibilities of receiving cash, preparing deposits, and posting activity to the accounting system should all be separated among individuals.
- Monitoring and review of receipting activity by supervisory personnel not directly involved with daily processing could be added.
- Some of the non-technical duties such as taking deposits to the bank could be performed by administrative individuals not involved in cash or accounting related functions.

Further, the Board or the Executive Director should review financial activity reports relating to other revenue sources contained in the Resident Program and Resident Trust funds for improved monitoring.

Official's Response: It is unknown why SEPTA's segregation of duties was as stated, due to no documentation being left detailing why things were done the way they were. In the future, STAR can increase the segregation of duties and increase the monitoring of these particular funds mentioned.

FINDING NUMBER 2018-006

Material Weakness- Fund Balances

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories including reliability of financial reporting.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-006 (Continued)

Material Weakness- Fund Balances (Continued)

Athens County became the fiscal agent for the Facility's ODRC and Federal funds beginning in Fiscal Year 2017. The previous fiscal agent, Hocking College, transferred the ODRC and Federal Fund balances to the County. However, the County only created one fund for ODRC and posted the entire amount to this fund. The Federal Fund had no activity in Fiscal Year 2017 or Fiscal Year 2018, so there was no co-mingling of activity. However, a separate fund should be established to account for the Federal fund balance of \$11,583 to maintain accountability.

The Facility should contact the fiscal agent to request the establishment of a Federal fund and move the related balance or look into closing the Federal Fund since there was no activity during the audit period.

Official's Response: It is unknown what circumstances caused there to be no Federal Fund created when SEPTA moved fiscal agents from Hocking College to the Athens County Auditor. This is unknown because STAR was not there at that time, nor could documentation be found to understand why this was done. In the future, STAR will be looking into closing the Federal Fund.

FINDING NUMBER 2018-007

Material Weakness- Material Adjustments

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Facility classified certain transactions incorrectly resulting in material audit adjustments.

For fiscal year ended June 30, 2018:

- In the ODRC 501-501 Fund, the Facility presented amounts on its Annual Financial Report which were inconsistent with amounts provided by the Facility's fiscal agent. This resulted in a decrease in Miscellaneous Revenue of \$23,367, a decrease in Reimbursements of \$6,226, a decrease in Personnel of \$18,585, a decrease in Operating Costs of \$137,011, a decrease in Program Costs of \$28,017, a decrease in Equipment of \$145,009, an increase in Disbursements from Prior FY of \$81,317, an increase in Fund Cash Balances, June 30, 2017 of \$608, and an increase in Fund Cash Balances June 30, 2018 of \$218,320.
- In the Federal Fund, the fiscal agent did not create a separate fund for this activity from the ODRC 501-501 Fund resulting in an increase in Fund Cash Balances, June 30, 2017 and Fund Cash Balances, June 30, 2018 of \$11,583, respectively.
- In the Capital CAP 003 Fund, the Facility presented amounts on its Annual Financial Report which were inconsistent with amounts provided by the Facility's fiscal agent. This resulted in an increase in Intergovernmental cash receipts and Operating Costs of \$29,593, respectively.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-007(Continued)

Material Weakness- Material Adjustments (Continued)

- In the Resident Program Funds, amounts presented on the Annual Financial Report did not agree to the underlying accounting system which resulted in an increase to Reimbursement cash receipts of \$22,690, an increase in Collections from Offenders for Work Release of \$7,684, an increase in Collections from Offenders for Commissary Reimbursement of \$12,043, an increase in Collections from Offenders for Per Diem of \$14,663, a decrease in Commissions of \$797, an increase in Miscellaneous Revenue of \$423, an increase in Indigent Support disbursements of \$28,080, an increase in Fund Cash Balances, June 30, 2017 of \$2,176, and an increase in Fund Cash Balances, June 30, 2018 of \$30,802.
- In the Offender Personal Funds, amounts presented on the Annual Financial Report did not agree to the underlying resident system which resulted in a decrease to Receipts for Offenders of \$101, a decrease in Offender Legal Obligations of \$1,341, a decrease in Offender Payments to ODRC of \$12,894, a decrease in Payments to Program Fund of \$35,696, an increase in Offender Payments to ODRC for Work Release of \$11,710, an increase in Offender Payments to ODRC for Per Diem in the amount of \$18,695, an increase in Offender Payments to ODRC for Commissary/Personal Care in the amount of \$46,598, an increase in Offender Payments to ODRC for Nurse in the amount of \$15, an increase in Indigent Support receipts of \$28,080, an increase in Offender Payments to ODRC for Sales Commissions of \$4,190, an increase in Offender Miscellaneous Payments of \$27,421, a decrease in Offender Savings Paid at Exit of \$2,112, a decrease in Fund Cash Balances, June 30, 2017 of \$11,230, and a decrease in Fund Cash Balances, June 30, 2018 of \$39,837.
- In the Section 125 Benefit Plan fund, amounts presented on the Annual Financial Report did not agree to bank records. This resulted in a decrease in Operating Costs of \$20, a decrease in Fund Cash Balances, June 30, 2017 of \$21, and a decrease in Fund Cash Balances, June 30, 2018 of \$1.

For fiscal year ended June 30, 2017:

- In the ODRC 501-501 Fund, the Facility presented amounts on its Annual Financial Report which were inconsistent with amounts provided by the Facility's fiscal agent. This resulted in a decrease in Miscellaneous Revenue of \$94,265, an increase in Reimbursements of \$94,265, an increase in Personnel of \$118,208, a decrease in Operating Costs of \$65,310, a decrease in Program Costs of \$19,319, a decrease in Equipment of \$34,186, an increase in Fund Cash Balances, June 30, 2016 of \$1, and an increase in Fund Cash Balances June 30, 2017 of \$608.
- In the Federal Fund, the fiscal agent did not create a separate fund for this activity from the ODRC 501-501 Fund resulting in an increase in Fund Cash Balances, June 30, 2016 and Fund Cash Balances, June 30, 2017 of \$11,583, respectively.
- In the Capital CAP 003 Fund, the Facility presented amounts on its Annual Financial Report which were inconsistent with amounts provided by the Facility's fiscal agent. This resulted in an increase in Intergovernmental cash receipts and Operating Costs of \$38,000, respectively.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2018-007(Continued)

Material Weakness- Material Adjustments (Continued)

- In the Resident Program Funds, amounts presented on the Annual Financial Report did not agree to the underlying accounting system which resulted in an increase to Reimbursement cash receipts of \$12,417, an increase in Collections from Offenders for Work Release of \$1,205, a decrease in Collections from Offenders for Commissary Reimbursement of \$11,564, an increase in Collections from Offenders for Per Diem of \$5,324, a decrease in Commissions of \$606, an increase in Miscellaneous Revenue of \$426, a decrease in Program Costs of \$14,127, an increase in Indigent Support disbursements of \$19,152, a decrease in Fund Cash Balances, June 30, 2016 of \$1, and an increase in Fund Cash Balances, June 30, 2017 of \$2,176.
- In the Offender Personal Funds, amounts presented on the Annual Financial Report did not agree to the underlying resident system which resulted in a decrease to Receipts for Offenders of \$13,3587, a decrease to Reimbursement cash receipts of \$354, a decrease in Offender Legal Obligations of \$8,071, a decrease in Offender Payments to ODRC of \$57,766, a decrease in Payments to Program Fund of \$108,401, an increase in Offender Payments to ODRC for Work Release of \$24,101, an increase in Offender Payments to ODRC for Per Diem in the amount of \$32,044, an increase in Offender Payments to ODRC for Commissary/Personal Care in the amount of \$99,594, an increase in Offender Payments to ODRC for Nurse in the amount of \$935, an increase in Offender Payments to ODRC for Physician in the amount of \$2,105, an increase in Indigent Support receipts of \$19,152, an increase in Offender Payments to ODRC for Sales Commissions of \$8,150, an increase in Offender Miscellaneous Payments of \$23,554, an increase in Offender Savings Paid at Exit of \$807, a decrease in Fund Cash Balances, June 30, 2016 of \$1, and a decrease in Fund Cash Balances, June 30, 2017 of \$11,842.
- In the Section 125 Benefit Plan fund, amounts presented on the Annual Financial Report did not agree to bank records. This resulted in an increase in Operating Costs of \$20, a decrease in Fund Cash Balances, June 30, 2016 of \$1, and a decrease in Fund Cash Balances, June 30, 2017 of \$21.

The following represents the cumulative effect of the adjustments listed above, in addition to immaterial adjustments the facility opted to post, on the respective fund cash balances as of June 30, 2018:

Fund	Original Fund Cash Balances, June 30, 2018	Audit Adjustment	Adjusted Fund Cash Balances, June 30, 2018
ODRC 501-501	265,258	218,320	483,578
Federal	-	11,583	11,583
Capital CAP 003	-	-	-
Resident Program Funds	48,807	30,802	79,609
Offender Personal Funds	42,332	(39,837)	2,495
Section 125 Benefit Plan	2,701	(1)	2,700

These misstatements were caused by confusion over proper classifications, reconciling issues, and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Facility's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-007(Continued)

Material Weakness- Material Adjustments (Continued)

The Facility should take additional care in posting transactions to the Facility's ledgers and in compiling the financial statements in order to ensure the financial statements reflect the appropriate receipts, expenditures, and fund balances.

Official's Response: It is unknown the exact circumstances that contributed to all the Material Weaknesses and Material Adjustments that were needed to reconcile SEPTA's different fund lines as STAR was not in charge of the facility when this all began and the staff responsible for managing these lines are no longer there. However, moving forward, STAR is taking the necessary steps to post the correct transactions to the Facility's ledgers and compile the financial statements to ensure the financial statements reflect the appropriate receipts, expenditures, and fund balances.



Community Justice Center

Structure Therapy Advocacy Restoration

Serving Nine Counties

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018 and 2017**

Adams County
Court of Common Pleas
110 West Main St.
West Union, OH 45693-1347

Brown County
Court of Common Pleas
101 South Main Street
Georgetown, OH 45121-1281

Clinton County
Court of Common Pleas
46 S. South St.
Wilmington, OH 45177

Highland County
Court of Common Pleas
105 North High St.
Hillsboro, OH 45133

Lawrence County
Court of Common Pleas
One Veterans Square
Lawrence County Courthouse
Ironton, OH 45638

Pickaway County
Court of Common Pleas
207 South Court Street
Circleville, OH 43113

Pike County
Court of Common Pleas
100 East Second St.
Waverly, OH 45690

Ross County
Court of Common Pleas
2 North Paint St.
Chillicothe, OH 45601

Scioto County
Court of Common Pleas
602 Seventh Street
Portsmouth, OH 45662-3951

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance relating to Community-Based Correctional Facility (CBCF) Grant Manual and Application § II.A for failure to timely submit quarterly and final reports to the Ohio Department of Rehabilitation and Correction.	Not Corrected	It is unknown why no response was provided or why the reports were not done in a timely manner. In the future, STAR will ensure that these types of items are done per the guidelines required.
2016-002	Noncompliance relating CBCF Grant Manual and Application § II.D.3.d(5) for the failure to submit inventory schedules with applications as required.	Not Corrected	It is unknown why no response was provided or why the inventory scheduled with applications were not submitted. In the future, STAR will ensure that these types of items are done per the guidelines required.
2016-003	Material Weakness for failure to prepare and monitor accurate bank reconciliations.	Not Corrected	It is unknown why no response was provided or why SEPTA failed to prepare and monitor bank reconciliations. In the future, STAR will ensure to prepare and monitor accurate bank reconciliations.
2016-004	Material Weakness for significant mispostings requiring financial statement adjustment.	Not Corrected	It is unknown why no response was provided or why the significant mispostings that required financial statements adjustments were not corrected. In the future, STAR will ensure that these types of items are rectified should they occur.



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Charles E. Philabaun III, Executive Director

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OHIO AUDITOR OF STATE KEITH FABER



SEPTA CORRECTIONAL FACILITY

ATHENS 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
SEPTEMBER 17, 2019**