



OHIO AUDITOR OF STATE
KEITH FABER



**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Western Ohio Regional Treatment and Habilitation Center
Allen County
243 East Bluelick Road
Lima, Ohio 45802

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund, except for the Offender Personal Funds and the related notes of the Western Ohio Regional Treatment and Habilitation Center, Allen County, (the Facility) as of and for the years ended June 30, 2016 and 2015. We were engaged to audit the financial statements of the Offender Personal Funds.

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. Because of the matter described in the *Basis for Disclaimer of Opinion on the Offender Personal Funds* paragraph however, we were unable to obtain sufficient appropriate audit evidence to opine on the Offender Personal Funds.

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.

Except for the matter described in the *Basis for Disclaimer of Opinion on the Offender Personal Funds* paragraph, we believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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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. Except for the matter described in the *Basis for Disclaimer of Opinion on the Offender Personal Funds* paragraph, our opinions on the accounting basis is in the Opinion on Regulatory Basis of Accounting paragraphs 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.

Summary of Opinions on Regulatory Basis of Accounting

Opinion Unit	Type of Opinion 2016	Type of Opinion 2015
ODRC 501-501 Funding Fund	Unmodified	Unmodified
Capital Fund	Unmodified	None
Federal Fund	Unmodified	Unmodified
Probation Improvement and Incentive Grant Fund	Unmodified	Unmodified
Offender Personal Funds	Disclaimer	Disclaimer
I&E Fund Phone/Commissary Commissions Fund	Qualified	Unmodified
Commissary Fund	Qualified	Unmodified
Vending and Other / Miscellaneous Fund	Qualified	Unmodified

Basis for Disclaimer of Opinion on the Offender Personal Funds

Total cash receipts are reported at \$192,131, and \$155,807 for the years ended June 30, 2016 and 2015, respectively, which is one hundred percent of Offender Personal Funds receipts for the years ended June 30, 2016 and 2015. Total cash disbursements are reported at \$192,329, and \$146,469 for the years ended June 30, 2016 and 2015, respectively, which is one hundred percent of Offender Personal Funds disbursements for the years ended June 30, 2016 and 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded within total cash receipts and total cash disbursements. Consequently, we were unable to determine whether any additional adjustments to these amounts were necessary.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Offender Personal Funds* paragraph, we were unable to obtain sufficient appropriate evidence to opine on the Offender Personal Funds' financial statements. Accordingly, we have not opined on these financial statements.

Basis for Qualified Opinion on Regulatory Basis of Accounting

Reimbursement receipts are reported at \$14,620 for the year ended June 30, 2016 which is forty-three percent of I&E Fund Phone/Commissary Commissions Fund receipts for the year ended June 30, 2016. Reimbursement receipts are reported at \$46,952 for the year ended June 30, 2016 which is one hundred percent of Commissary Fund receipts for the year ended June 30, 2016. Reimbursement receipts are reported at \$12,453 for the year ended June 30, 2016 which is sixty-two percent of Vending and Other/Miscellaneous Fund receipts for the year ended June 30, 2016. We were unable to obtain sufficient appropriate audit evidence supporting \$2,419 of the amounts recorded as reimbursement receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the I&E Fund Phone/Commissary Commissions Fund, Commissary Fund, and Vending and Other/Miscellaneous Fund of the Western Ohio Regional Treatment and Habilitation Center, Allen County as of and for the year ended June 30, 2016 in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

Unmodified 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 the ODRC 501-501 Funding Fund, Capital Fund, Federal Fund, and Probation Improvement and Incentive Grant Fund of the Western Ohio Regional Treatment and Habilitation Center, Allen County as of and for the year ended June 30, 2016 and the ODRC 501-501 Funding Fund, Federal Fund, Probation Improvement and Incentive Grant Fund, I&E Fund Phone/Commissary Commissions Fund, Commissary Fund, and Vending and Other/Miscellaneous Fund as of and for the year ended June 30, 2015 in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

Emphasis of Matter

As discussed in Note 9 to the financial statements for the years ended June 30, 2016 and 2015, the June 30, 2014 Federal Fund, Probation Improvement and Incentive Grant Funds, and the Offender Personal Funds balances were restated by the Facility. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 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

March 14, 2019

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WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	State Appropriations and Grants				Offender Funds					Totals
	ODRC 501-501 Funding	Capital	Federal	Probation Improvement and Incentive Grant	Offender Personal Funds	I&E Fund Phone/Commissary Commissions	Commissary	Vending and Other / Miscellaneous		
Receipts:										
Intergovernmental	\$ 3,018,073	\$ 94,525	\$ 7,500	\$ 196,893	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,316,991	
Receipts for offenders	0	0	0	0	192,131	0	0	0	192,131	
Commissions	0	0	0	0	0	19,730	0	7,489	27,219	
Reimbursement	100,709	0	0	0	0	14,620	46,952	12,453	174,734	
Other income/interest	0	0	0	0	0	1	1	24	26	
Total receipts	3,118,782	94,525	7,500	196,893	192,131	34,351	46,953	19,966	3,711,101	
Disbursements:										
Personnel	2,033,801	0	0	270,939	0	0	0	0	2,304,740	
Operating costs	887,555	15,000	449	5,778	0	4,538	8,929	24,527	946,776	
Program costs	123,475	0	1,284	8,416	0	11,270	23,170	0	167,615	
Equipment	95,521	26,174	5,767	1,038	0	0	0	0	128,500	
Offender disbursements:										
Offender legal obligations	0	0	0	0	17,551	0	0	0	17,551	
Offender reimbursements	0	0	0	0	56,148	0	0	0	56,148	
Offender payments to CBCF	0	0	0	0	65,976	0	0	0	65,976	
Offender savings paid at exit	0	0	0	0	52,654	0	0	0	52,654	
Total disbursements	3,140,352	41,174	7,500	286,171	192,329	15,808	32,099	24,527	3,739,960	
Total receipts over/(under) disbursements	(21,570)	53,351	0	(89,278)	(198)	18,543	14,854	(4,561)	(28,859)	
Fund balances (cash basis), July 1, 2015	138,662	0	262	129,302	8,632	13,119	10,080	(11,100)	288,957	
Fund balances (cash basis), June 30, 2016	\$ 117,092	\$ 53,351	\$ 262	\$ 40,024	\$ 8,434	\$ 31,662	\$ 24,934	\$ (15,661)	\$ 260,098	
Unpaid obligations/open purchase orders	\$ 0									

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

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	State Appropriations and Grants			Offender Funds				Totals
	ODRC 501-501 Funding	Federal	Probation Improvement and Incentive Grant	Offender Personal Funds	I&E Fund Phone/Commissary Commissions	Commissary	Vending and Other / Miscellaneous	
Receipts:								
Intergovernmental	\$ 2,973,073	\$ 19,460	\$ 134,627	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,127,160
Receipts for offenders	0	0	0	155,807	0	0	0	155,807
Commissions	0	0	0	0	14,228	0	6,344	20,572
Reimbursement	97,716	4	0	0	7,389	40,991	5,909	152,009
Other income/interest	0	0	0	0	0	1	0	1
Total receipts	3,070,789	19,464	134,627	155,807	21,617	40,992	12,253	3,455,549
Disbursements:								
Personnel	1,848,375	0	137,628	0	0	0	0	1,986,003
Operating costs	864,152	0	11,490	0	0	31,618	25,521	932,781
Program costs	152,982	0	5,000	0	10,585	0	0	168,567
Equipment	200,879	19,460	21,105	0	0	0	0	241,444
Offender disbursements:								
Offender legal obligations	0	0	0	15,386	0	0	0	15,386
Offender reimbursements	0	0	0	50,165	0	0	0	50,165
Offender payments to CBCF	0	0	0	55,395	0	0	0	55,395
Offender savings paid at exit	0	0	0	25,523	0	0	0	25,523
Total disbursements	3,066,388	19,460	175,223	146,469	10,585	31,618	25,521	3,475,264
Total receipts over/(under) disbursements	4,401	4	(40,596)	9,338	11,032	9,374	(13,268)	(19,715)
Fund balances (cash basis), July 1, 2014 Restated	134,261	258	169,898	(706)	2,087	706	2,168	308,672
Fund balances (cash basis), June 30, 2015	\$ 138,662	\$ 262	\$ 129,302	\$ 8,632	\$ 13,119	\$ 10,080	\$ (11,100)	\$ 288,957
Unpaid obligations/open purchase orders	\$ 0							

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

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

Note 1 - Reporting Entity

The Western Ohio Regional Treatment and Habilitation Center (the Facility), Allen County, a Community Based Corrections Center, 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 a maximum of 99 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 Facility's 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:

Allen County	Auglaize County	Hancock County
Hardin County	Mercer County	Paulding County
Putnam County	Shelby County	Van Wert County

For the years ended June 30, 2016 and 2015, the financial statements present all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

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

These statements adequately disclose material matters the Ohio Department of Rehabilitation and Corrections requires. The Facility's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (cash basis).

Deposits

The Allen 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 in demand deposit accounts.

Fund Accounting

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

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

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.

Capital: Reports amount received from the ODRC to finance all or part of the cost of renovating or building facilities.

Probation Improvement and Incentive Grant (PIIG): These grant revenues are funded through the State of Ohio to assist local governments in community-based law enforcement services.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The following are included in the Federal Funds;

Community Justice Title I: These grant receipts are used to establish and support local Title I-D programs.

Prison Rape Elimination Act (PREA): These grant receipts are to provide funds for cameras and radio costs.

Offender Funds

Offender Personal Funds: This fund accounts for the 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.

I&E Fund Phone/Commissary Commissions: This fund receives other Offender Funds, such as telephone and commissary commissions, and per diem rates charged to employed offenders. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses this Fund for costs chargeable to Offender Funds.

Commissary: This fund accounts for amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Revised Code §2301.58.

Vending and Other/Miscellaneous: This fund receives other significant sources of receipts, such as vending machine commissions.

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 the ODRC to transfer amounts between budget categories.

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

Encumbrances

Disbursements from State appropriations and Grants are subject to Allen 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 5)

A summary of 2016 and 2015 budgetary activity appears in Note 3.

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these acquisitions 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 for the years ending June 30, 2016 and 2015 follows:

<u>2016 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$ 3,018,073	\$ 3,025,823	\$ (7,750)

<u>2015 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$ 2,973,073	\$ 2,968,672	\$ 4,401

Reimbursement activity is not included in the budgetary expenditures. For fiscal year 2016, the total budgetary expenditures of \$3,025,823 exceeded the final approved grant award of \$3,018,073 by \$7,750. The budgetary expenditures of \$3,025,823 for fiscal year 2016 reported above do not include expenditures of \$13,820 related to the Prison Rape Elimination Act (PREA) grant that are reported as part of the total disbursements in the ODRC 501-501 Funding fund on the Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) report; the expenditures were included as part of the statement due to the fact that the grant revenues related to the grant were not received until fiscal year 2017. The PREA expenditures are not included in this footnote due to the fact that they do not relate to ODRC 501-501 Funding and would not represent a violation of the budgetary requirements.

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

Note 4 – Collateral on Deposits and Investments

Grants and State Appropriations

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

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 for Offender Funds. Offender Funds did not exceed the FDIC coverage during 2015 or 2016.

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 years ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation.

Refund to ODRC		
	2016	2015
Cash, July 1	\$ 138,662	\$ 134,261
501 Cash receipts	3,018,073	2,973,073
Budgetary basis disbursements	(3,025,414)	(2,968,672)
Amount subject to refund, June 30	131,321	138,662
One-twelfth of 501 award	(251,506)	(247,756)
Refundable to ODRC	\$ 0	\$ 0

Note 6 – Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, 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, 2016.

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, 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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

Note 8 – Risk Management

Commercial Insurance

The Facility is included in Allen County’s commercial insurance policies through County Risk Sharing Authority, Inc. (CORSA). CORSA is a public entity shared risk pool among 65 counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a primary group and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials’ error and omissions liability insurance.

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

The Facility is insured through Alliance Municipal Insurance for the following risks:

- Law Enforcement Liability – occurrence coverage
- Public Officials Liability – claims made coverage
- Employment Practices Liability – claims made coverage
- General Liability for Equipment, Electronic Data, and Property
- Bonding (Employee Dishonesty) through Old Republic Surety Company

The Facility insures against injuries to employees through the Ohio Bureau of Worker's Compensation. This coverage is obtained through the Allen County Commissioners.

Note 9 – Restatement of Beginning Fund Balances

The Facility did not properly present the activity and fund balances for the Federal Fund and the Offender Personal Fund as of July 1, 2015. The activity and balance of the Probation Improvement and Incentive Grant Fund which is held by the County was not reported on the financial statements. The restatement had the following effect on fund balances of the Facility as previously reported.

<u>Personal Funds</u>	<u>Federal</u>	Probation Improvement and Incentive Grant	<u>Offender</u>
Fund Balances Reported at June 30, 2014	\$ (4)	\$ 0	\$ 1,967
Adjustments to Fund Balances at June 30, 2014	<u>262</u>	<u>169,898</u>	<u>(2,673)</u>
Adjusted Fund Balances at June 30, 2014	<u>\$ 258</u>	<u>\$ 169,898</u>	<u>\$ (706)</u>

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OHIO AUDITOR OF STATE KEITH FABER



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

Western Ohio Regional Treatment and Habilitation Center
Allen County
243 East Bluelick Road
Lima, Ohio 45802

To the Members of the 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 Western Ohio Regional Treatment and Habilitation Center, Allen 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 March 14, 2019, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections prescribes or permits. We also qualified our opinion in 2016 for the amounts reported as reimbursement receipts in the I&E Fund Phone/Commissary Commissions Fund, Commissary Fund, and Vending and Other/Miscellaneous Fund. We were engaged to audit the Offender Personal Funds. We did not opine on the Offender Personal Funds because we were unable to obtain sufficient appropriate audit evidence to opine on the Offender Personal Funds. We also noted the June 30, 2014 Federal Fund, Probation Improvement and Incentive Grant Fund, and the Offender Personal Funds balances were restated by the Facility.

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 weaknesses and significant deficiencies.

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. We consider findings 2016-001 through 2016-004, and 2016-010 described in the accompanying schedule of findings to be material weaknesses.

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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 findings 2016-005 through 2016-007, and 2016-011 described in the accompanying schedule of findings to be significant deficiencies.

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 2016-008 through 2016-011.

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 communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2019

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Bank to Book Reconciliations

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.

Cash is the asset most susceptible to theft and misappropriation therefore appropriate controls over cash should exist at the Facility. Monthly reconciliations between the book balances and the bank accounts is a key control that provides a reasonable assurance that all receipts and disbursements have been accurately and completely recorded in the accounting records and processed by the financial institutions. Additionally, accurate and complete reconciliations provide the Facility with a picture of the financial position at month-end.

A separate bank to book reconciliation was prepared for each fund and bank account under the control of the Facility. The following issues were identified on the June 30, 2016 and 2015 reconciliations:

- The Commissary Fund account had outstanding checks of \$267 at June 30, 2016 and \$249 at June 30, 2015 which were more than one year old.
- The I&E Fund Phone/Commissary Commissions Fund account had outstanding checks of \$316 at June 30, 2016 and \$193 at June 30, 2015 that were more than one year old. At June 30, 2016 and 2015, there were unexplained reconciling deposits or credits totaling \$195. At June 30, 2015, the reconciled bank balance prior to audit adjustments should have been \$6,019; however, the book balance was \$6,168.
- The Resident Account reconciliation for the Offender Personal Funds had old outstanding checks totaling \$252 at June 30, 2016 and \$56 at June 30, 2015. At June 30, 2016, the total outstanding withdrawals listed on the reconciliation were \$926; however, the checks listed on the reconciliation as outstanding actually totaled \$982. At June 30, 2016, the reconciled bank balance prior to audit adjustments should have been \$8,434; however, the book balance was \$6,373. At June 30, 2015, the reconciliation had \$4,138 in outstanding deposits from March 2015 that related to deposits that were made into the I&E account in error but recorded as a receipt in both the I&E Fund Phone/Commissary Commissions Fund and the Offender Personal Funds. The bank balances were not corrected until fiscal year 2016. At June 30, 2015, the total outstanding withdrawals listed on the reconciliation were \$197; however, the checks listed on the reconciliation as outstanding actually totaled \$5,498. At June 30, 2015, the total outstanding deposits listed on the reconciliation were \$1,543; however, the outstanding deposits actually totaled \$7,400. At June 30, 2015, the reconciled bank balance prior to audit adjustments should have been \$8,632; however, the book balance was \$6,434.
- The Vending and Other/Miscellaneous Fund Account reconciliation had outstanding checks totaling \$398 at June 30, 2016 and \$392 at June 30, 2015 that were greater than one year old. A reconciling deposit or credit in the amount of \$127 was included on the June 30, 2016 and June 30, 2015 reconciliations that had cleared the bank. An unsupported reconciling adjustment in the amount of \$2,159 was included in the general ledger for the Vending and Other Miscellaneous Fund Account.

**FINDING NUMBER 2016-001
(Continued)**

- When the June 30, 2016 fiscal year financial statements were prepared, adjustments in the amount of \$6,385 and \$449, were recorded in the I&E Fund Phone/Commissary Commissions Fund and in the Vending and Other / Miscellaneous Fund, respectively.

The accompanying financial statements and accounting records have adjusted to correct these errors.

Reconciling items and adjustments that are not supported increase the risk that errors and/or irregularities have occurred that have not been detected in a timely manner. During 2016 and 2015, there was no evidence that bank to book reconciliations were presented to the Board for review and approval. The lack of monitoring prevented the detection of the issues noted above in a timely manner.

The Facility should establish and implement procedures to verify that bank reconciliations are prepared timely and reviewed for completeness and accuracy. Supporting documentation should be maintained for all adjusting and reconciling items presented on the reconciliations. Un-supported adjusting and reconciling items should be investigated and resolved at the time reconciliation is completed. Old outstanding checks should be investigated to determine if they should be voided or voided and re-issued. The bank reconciliations should be presented to the Board each month along with the supporting documentation. Adjustments posted to the accounting records to reconcile, should be presented to the Board for approval. Evidence of the Board's review and approval of the reconciliations should be noted on the reconciliations and/or in the minute record.

OFFICIALS' RESPONSE: The WORTH Center acknowledges that unsupported adjusting and reconciling items should be reviewed for accuracy and resolved at the time reconciliation is completed. Going forward, the WORTH Center Board shall review and approve all bank to book reconciliations and supporting documentation monthly. Evidence of the Board's review and approval of the reconciliations will be noted on the reconciliations or in the minutes.

FINDING NUMBER 2016-002

Material Weakness – Accuracy of Financial Reporting

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 following financial statement and/or accounting record errors were identified:

2016

- Receipts in the amount of \$7,378 from phone commissions were incorrectly recorded in the Commissary Fund as reimbursement receipts, instead of as commission receipts in the I&E Fund Phone/Commissary Commissions Fund.
- Soft drink vending commission receipts in the amount of \$958 were recorded in the I&E Fund Phone/Commissary Commissions Fund, instead of the Vending and Other/Miscellaneous Fund.
- Snack vending commission receipts in the amount of \$207 were recorded in the I&E Fund Phone/Commissary Commissions Fund, instead of the Vending and Other/Miscellaneous Fund.
- Snack vending commission receipts in the amount of \$322 were not recorded in the Vending and Other/Miscellaneous Fund.

FINDING NUMBER 2016-002
(Continued)

- Intergovernmental receipts of \$94,525, operating costs disbursements of \$15,000, equipment disbursements of \$26,174; and the ending fund balance of \$53,351 for the Capital Fund were not recorded on the financial statements.
- The beginning balance of \$129,302, intergovernmental receipts of \$196,893, personnel disbursements of \$270,939, operating costs disbursements \$5,778, program cost disbursements of \$8,416, equipment disbursements of \$1,038, and the ending fund balance of \$40,024 for the Probation Improvement and Incentive Grant Fund was not recorded on the financial statements.
- Commission receipts from phone commissions in the amount of \$10,915 were recorded in the Vending and Other/Miscellaneous Fund instead of the I&E Fund/Phone/Commissary Commissions Fund.
- The Offender Personal Funds balance was decreased \$137 to agree to the bank to book reconciliation.
- Reimbursement receipts and the related personnel, operating costs, program costs, and equipment disbursements in the amount of \$100,709 in the ODRC 501-501 Funding Fund were not recorded.

2015

- A correction of \$1,543 was recorded by the Facility in 2016 to remove commission receipts from the I&E Fund Phone/Commissary Commissions Fund which had also been correctly recorded in Offender Personal Funds. This resulted in an audit adjustment to the 2015 financial statements.
- A correction of \$2,595 was recorded by the Facility to remove reimbursement receipts from the I&E Fund Phone/Commissary Commissions Fund which had also been correctly recorded in the Offender Personal Funds. This resulted in an audit adjustment to the 2015 financial statements.
- Jax Snax commission receipts in the amount of \$544 were improperly recorded as reimbursement receipts in the Vending and Other/Miscellaneous Fund.
- The Able and Title 1 beginning fund balances in the amount of \$262 were not recorded in the Federal Fund on the financial statements.
- The beginning balance of \$169,898, intergovernmental receipts of \$134,627, personnel disbursements of \$137,628, operating costs disbursements \$11,490, program cost disbursements of \$5,000, equipment disbursements of \$21,105, and the ending fund balance of \$129,302 for the Probation Improvement and Incentive Grant Fund was not recorded on the financial statements.
- The beginning fund balance for the Offender Personal Funds did not agree to the Probatum accounting system which resulted in an adjustment to the beginning fund balance in the amount of \$2,673.
- The Offender Personal Funds balance was decreased by \$2,198 to agree to the bank to book reconciliation.
- Reimbursement receipts and the related personnel, operating costs, program costs, and equipment disbursements in the amount of \$97,716 in the ODRC 501-501 Funding Fund were not recorded.
- Commission receipts from phone commissions in the amount of \$11,089 were recorded in the Vending and Other/Miscellaneous Fund instead of the I&E Fund/Phone/Commissary Commissions Fund.

The accompanying financial statements, and where necessary the accounting records, have been adjusted to correct these errors.

There were also immaterial errors, ranging from \$149 to \$609 that were not adjusted on the accompanying financial statements.

**FINDING NUMBER 2016-002
(Continued)**

The Facility's accounting system reports did not always identify the payor/descriptions for receipts recorded in the accounting system. During the year the Board was not presented with detailed receipt and disbursement reports for review. These deficiencies may have contributed to the financial statement errors.

Financial reporting errors inhibit the users' understanding of the financial activity and balances throughout the year and at year-end.

Facility management and/or the Board should periodically review the accounting records and at year-end review the annual compilation to identify and correct reporting errors. Also, the Board should be provided with reports for review throughout the year that show receipts and disbursements by fund and classification. In addition, resources such as those found on the Auditor of State web site at: <http://www.ohioauditor.gov/references.html> and other sources should be utilized when reviewing the annual financial statements.

OFFICIALS' RESPONSE: The WORTH Center acknowledges that the Board should periodically review the accounting records and review the annual compilation to identify and correct errors in the financial statements.

FINDING NUMBER 2016-003

Material Weakness – Offender Personal Funds Activity

The Facility should have procedures and/or controls in place to monitor the receipts, disbursements and account balances for funds related to the offender's personal resident accounts. The following issues were identified in the recording of activity in the Offender Personal Funds in 2016 and 2015:

- The personal resident account receipts and disbursements were accounted for on the Probatum accounting system; however, the Facility was not able to provide a report that sequentially listed the receipts and disbursements in order to assure the information provided was complete and related to the entire audit period. The Facility was also not able to provide a report for each fiscal year that showed the total of all offenders' account balances that could be used to agree to the cash being held in the Offender Personal Funds bank account.
- Resident files were not maintained for one resident related to one receipt transaction in 2016. Resident files were not maintained for residents related to eight disbursement transactions and seventeen receipt transactions in 2015.
- In 2015, supporting documentation was not maintained for disbursement transactions #230379 and #230380 in the amounts of \$20 and \$200, respectively. These transactions were listed on the Bank Transactions with Items Report, but no additional information was able to be provided to support the transactions.
- In 2015, receipt transaction #231206 in the amount of \$267.48 was not able to be traced to the Offender's Account Balance Report.

These deficiencies impacted the Facility's ability to monitor and record receipts, disbursements and account balances for the offenders' personal resident accounts. Such deficiencies can result in errors and/or irregularities that may not be detected timely.

These deficiencies resulted in a disclaimer of opinion on the Offender Personal Funds activity.

**FINDING NUMBER 2016-003
(Continued)**

The Facility should contact the vendor for the Offender Personal Funds accounting system in order to determine how to obtain reports that will provide receipts and disbursements for the personal resident accounts in an organized manner that will clearly show the receipt and disbursement numbers in numerical fashion, along with the dates, names, and amounts to ensure each report is complete and covers the entire time period. The Facility should also determine how to obtain a report that will show the total balance for all offenders' personal resident accounts that can be used to reconcile to the bank account balance for the Offender Personal Funds.

The Facility should also implement procedures and/or controls in order to track and maintain all resident files and supporting documentation for all transactions in an orderly fashion and should ensure that all transactions are able to be traced to the appropriate Offender's Account Balance Report.

OFFICIALS' RESPONSE: The WORTH Center acknowledges that it was unable to provide the requested report regarding the activity that occurred in the Offender Personal Fund accounting system. The Facility will begin to monitor the fund more carefully and implement policies and procedures to track and maintain all resident files and supporting documentation for all transactions in order for them to be traced to the appropriate Offender's Account Balance Report.

FINDING NUMBER 2016-004

Material Weakness – Documentation for Reimbursements from the Offender Personal Funds

The Facility should have procedures and/or controls in place to ensure documentation is maintained to support reimbursements paid from the Offender Personal Funds to other funds. In 2016, original invoices were not available for five out of 20 (25%) of the reimbursements examined, totaling \$2,419.

The failure to maintain supporting documentation for reimbursements increases the risk that errors and/or irregularities could occur and not be detected in a timely manner.

The Facility should maintain all supporting documentation, including original invoices, to support the reimbursements between funds in order to verify that the actual transaction reimbursement amounts are correct and are for a proper purpose, and are classified properly and are reported in the proper fund.

OFFICIALS' RESPONSE: The Facility failed to keep accurate and complete invoices for reimbursements paid from the Offender Personal Funds to other funds. This failure can increase the risk for errors and/or irregularities that could occur without being detected.

FINDING NUMBER 2016-005

Significant Deficiency – Support for Use of Compensatory Time and Compensatory Policy

The Facility should have procedures and/or controls in place to monitor employee compensatory time accruals and balances. Also, a detailed policy should be in place that addresses all potential aspects of compensatory time activity.

For the period of July 2014 - December 2014, records were not maintained to support the compensatory time accrued per pay period or the compensatory time balances. Due to the lack of documentation, we were not able to determine whether the compensatory time earned for this time period agreed to the requirements per the Facility's Compensation Policy Number PER49.

**FINDING NUMBER 2016-005
(Continued)**

The Facility's policy did not contain information regarding accrual, usage, and balances, whether exempt employees may also earn compensatory time, how much compensatory time can be accumulated, deadline of when compensatory time must be used, and rate of accrual for compensatory time.

Failure to maintain documentation to support compensatory time could result in errors in the employee's compensatory time balances and could result in employees being paid for compensatory time that they are not entitled to. Failure to maintain a detailed Compensation policy could result in inconsistencies in how the compensatory time activity is tracked or could result in employees accumulating compensatory time balances in excess of the total that the Board intended.

The Facility should maintain all supporting documentation to support the employees' compensatory balances and usage. The Compensation Policy should be updated to include the records required to be maintained on accrual, usage, and balances, whether exempt employees may also earn compensatory time, how much compensatory time can be accumulated, deadline of when compensatory time must be used, and rate of accrual for compensatory time.

OFFICIALS' RESPONSE: The Facility plans to take corrective action and update its compensatory time policy to ensure this issue does not arise in the future.

FINDING NUMBER 2016-006

Significant Deficiency – Non-payroll Transactions

The Facility should have procedures and/or controls in place to support the processing of non-payroll transactions.

In 2016, supporting documentation was not maintained for one out of forty-seven non-payroll disbursement transactions examined (2%) in the amount of \$1,262 to a retail store. Also, see finding 2016-008. In addition, canceled check images were not available for three out of forty-seven non-payroll disbursement transactions examined. One of the checks, in the amount of \$2,361, was a reimbursement check between funds of the Facility. The remaining two checks, in the amount of \$1,262 and in the amount of \$1,699 were payable to a retail store.

The Facility did not have a procedure(s) and/or control(s) in place to help assure that supporting documentation and cancelled check images were maintained for all checks. This weakened the Facility's accountability of these disbursements. The failure to maintain supporting documentation and cancelled check images could bring into the question the appropriateness of the disbursement and result in findings for recovery against those authorizing the payments.

For fiscal years 2016 and 2015, the following weaknesses pertaining to credit card transactions were identified:

- During fiscal year 2016, supporting documentation was not maintained for twenty-seven out of fifty-three disbursement transactions (51%) on the bank credit cards and on a retail purchasing card totaling \$2,597, ranging from \$5 to \$596. These purchases were for items including shopping cards, snack supplies, Netflix, hotel lodging and other items. Based on the statements provided, along with consultation with the Facility's Executive Director, it was determined that all transactions, except nineteen transactions totaling \$1,336, appear to be for a proper public purpose. Also, see finding 2016-008.

FINDING NUMBER 2016-006
(Continued)

- During fiscal year 2015, supporting documentation was not maintained for thirty-five out of one hundred and two disbursement transactions (34%) on the bank credit cards and a retail purchasing card totaling \$4,871, ranging from \$6 to \$581. These purchases were for items including shopping cards, hotel lodging, towels, supplies, television, restaurant expenses and other items. Based on the statements provided, along with consultation with the Facility's Executive Director, it was determined that all transactions appear to be for a proper public purpose.
- The retail purchasing card statement dated October 16, 2015 did not include the details for the transactions indicating the individual making the purchases.
- For the period of May 2014 through June 2016, the Facility incurred interest charges on purchases and late fees, in the amount of \$2,603 on credit card transactions. In addition, these expenditures were not classified in a separate account to reflect the interest charges and fees. Also, see finding 2016-009

The Facility did not have a policy in place to govern the use of credit cards. As a result, the Facility's ability to monitor credit card transactions was inhibited and resulted in unnecessary expenses related to interest and finance fees. The absence of an appropriate policy along with the failure to maintain documentation for monitoring of this activity increases the risk of unauthorized and/or otherwise improper disbursements that do not further the public purpose of the Facility and which could result in findings for recovery against those authorizing or receiving benefit of the disbursements.

The Facility should create and adopt a credit card use policy to strengthen and to maintain internal controls over credit card transactions. House Bill 312 amended various Ohio Revised Code Sections on the use of credit and debit cards. Auditor of State Bulletin 2018-003, which can be found at: <https://ohioauditor.gov/>, discusses the requirements of House Bill 312 and should be used as a guide when adopting the credit card policy.

Further, the Facility should consider inclusion in its credit card policy a definition of expenditures that are strictly prohibited (e.g. entertainment, alcoholic beverages, personal services, cash advances, etc.). Auditor of State Bulletins 2003-005, 2004-002 and 2016-004 should also be considered when adopting a credit card policy. After adoption of the credit card policy, the Board should monitor credit card transactions for compliance with the policy.

The Facility should establish and implement procedures to verify that supporting documentation and cancelled check images are maintained for all transactions. Also, the Board should periodically review disbursements to verify that supporting documentation and cancelled check images are being properly maintained.

OFFICIALS' RESPONSE: The Facility plans to take corrective action and implement a policy in compliance with House Bill 312 and implement controls to ensure supporting documentation and cancelled check images are maintained for all transactions.

FINDING NUMBER 2016-007

Significant Deficiency – Health Savings Account Activity

The Facility offers employees the opportunity to participate in a Health Savings Account. Employees elect whether they will participate and also elect what type of account they will participate in. The Facility should have procedures and/or controls in place to ensure that Benefit Election Forms are properly prepared and maintained and to monitor the contributions that are being withheld from the employees' paychecks in order to ensure that the proper amount is withheld.

**FINDING NUMBER 2016-007
(Continued)**

During calendar year 2016, there were variances noted between the amount that should have been withheld based on the Benefit Election Forms and the amount actually withheld per the Allen County (Fiscal Agent for State Appropriations and Grants Funds) Detail Check History report for five out of six (83%) of the employees examined, for a total variance of \$169 in which more was withheld than required per the Benefit Election Forms.

During calendar year 2015, there were variances noted between the amount that should have been withheld based on the Benefit Election Forms and the amount actually withheld per the Allen County Detail Check History report for three out of four (75%) of the employees examined, for a total variance of \$108 in which less was withheld than required per the Benefit Election Forms.

During calendar year 2014, Benefit Election Forms were not provided to support 100% of the Health Savings Account amounts withheld for employees or the amounts contributed by the Facility for the employer portion.

Also, the Facility withholds the contributions on a bi-weekly basis; however, the Benefit Election Forms examined either did not clearly identify how often the contributions would be withheld or the wrong selection was identified for nine out of ten (90%) of the employees examined.

Failure to verify that Benefit Election Forms are properly and completely prepared and maintained for all employees for Health Savings Accounts could result in amounts being withheld that are not the intention of the Facility's employees. Failure to monitor the amounts actually withheld resulted in variances which could become material in future years.

The Facility should establish and implement procedures to verify that Benefit Election Forms are completely and accurately prepared and maintained for all employees for each calendar year. The Facility should also prepare reports for Health Savings Account contributions that can be directly reconciled to the Allen County Detail Check History reports in order to verify that the correct amounts of employee Health Savings Account contributions are deducted. These reports should be reviewed periodically to verify they agree to Allen County reports.

OFFICIALS' RESPONSE: The Facility plans to take corrective action and implement a policy to ensure this issue does not arise in the future. In addition, the Facility will prepare reports to ensure that the correct amounts of Health Saving Account contributions are deducted.

FINDING NUMBER 2016-008

Noncompliance Citation / Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states, in part, the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**FINDING NUMBER 2016-008
(Continued)**

In fiscal year 2016, supporting documentation was not maintained for nineteen credit card transactions totaling \$1,336. Also, for fiscal year 2016, there was no supporting documentation maintained for a check in the amount of \$1,262 that was paid to a retail store.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Director of Finance & Human Resources, Peg Elmquist, in the amount of \$2,598 and in favor of the Western Ohio Regional Treatment and Habilitation Center.

OFFICIALS' RESPONSE: The Facility acknowledges that the Facility credit cards were used for improper purposes and is working on collecting the money owed by the individual. The Facility is working on implementing an updated credit card policy to prevent this issue from occurring in the future.

FINDING NUMBER 2016-009

Noncompliance Citation / Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states, in part, the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

For the period of May 2014 through June 2016, the Facility incurred interest charges on purchases and late fees, in the amount of \$2,603 on credit card transactions.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Director of Finance & Human Resources, Peg Elmquist, in the amount of \$2,603 and in favor of the Western Ohio Regional Treatment and Habilitation Center.

OFFICIALS' RESPONSE: The Facility acknowledges that the Facility credit cards were used for improper purposes and is working on collecting the money owed by the individual. The Facility is also working on implementing an updated credit card policy to prevent this issue from occurring in the future.

FINDING NUMBER 2016-010

Noncompliance Citation / Material Weakness

The Community-Based Correctional Facility (CBCF) FY16 and FY15 Grant Manual, Bureau of Community Sanctions, Section II G requires in part that (1) Program Directors must maintain accurate and legible accounting records to prepare financial reports. (2) All income and expenditures must be supported with documentation to provide a clear audit trail for every financial transaction. (3) Revenue received from other sources must not be co-mingled with CBCF grant funds. Grant funds from DRC should be readily identifiable and audited independently.

FINDING NUMBER 2016-010
(Continued)

In 2016, intergovernmental receipts of \$7,500, operating costs disbursements of \$449; programs costs disbursements of \$1,284 and equipment disbursements of \$5,767 for the Title 1 grant were not recorded on the financial statements in the Federal Fund. In 2015, intergovernmental receipts of \$12,000 and equipment disbursements of \$12,000 for the Prison Rape Elimination Act (PREA) grant were not recorded on the financial statements in the Federal Fund. In 2015, intergovernmental receipts of \$7,460 and equipment disbursements of \$7,460 for the Title I grant were not recorded on the financial statements in the Federal Fund. The activity of these funds were accounted for by Allen County (Fiscal Agent) in Fund 8880 which is the ODRC 501-501 Funding Fund which is used to account for the Facility's CBCF grant activity.

The accompanying financial statements have been adjusted to record this activity in the Federal Fund.

The Facility did not have controls and/or procedures in place to ensure that the receipts and related activity from other sources were not co-mingled with the CBCF grant funds. The failure to account for restricted receipts in the appropriate fund increases the risk of the illegal disbursement of money and/or action being taken by the grantor agency which could jeopardize current or future funding.

The Facility should establish and implement procedures to verify that all grant receipt sources and the related disbursements are appropriately reported in the accounting records and the financial statements.

OFFICIALS' RESPONSE: The Facility plans to take corrective action and implement a policy to ensure this issue does not arise in the future. In addition, the Facility will make sure that all financial statements are accurate and adjusted to show current fund balances.

FINDING NUMBER 2016-011

Noncompliance Citation / Significant Deficiency

Community-Based Correctional Facility FY16 and FY15 Grant Manual, Bureau of Community Sanctions, Section II C.5 requires that all offender fees collected for specific grant related activities must be collected and reimbursed to the appropriate cost category as the expenditure (i.e. medical fees, drug testing, electronic monitoring). Revenue cannot be generated from offender fees collected.

The Facility did not provide original supporting documentation for ten out of ten (100%) of the reimbursements examined for the ODRC 501-501 Funding Fund for 2016 and 2015; therefore, we could not confirm that the reimbursement was properly recorded as a disbursement from the ODRC 501-501 Funding Fund and reimbursed as a payment from offender funds. The Facility did not record the reimbursements into the ODRC 501-501 Funding Fund as reimbursement receipts on the financial statements. This resulted in an understatement to reimbursement revenue in the ODRC 501-501 Funding Fund of \$100,709 and \$97,716 in 2016 and 2015, respectively. The financial statements have been adjusted to correct these misstatements.

These deficiencies impacted the Facility's ability to monitor reimbursements from the offender funds to the ODRC 501-501 Funding Fund and can result in errors and/or irregularities that may not be detected timely and could result in incorrect amounts being reimbursed.

The Facility should implement a procedure(s) and/or control(s) to verify that original documentation is maintained to support the reimbursement and related disbursement activity, and that this activity is accurately recorded in the accounting records and financial statements.

FINDING NUMBER 2016-011
(Continued)

OFFICIALS' RESPONSE: The Facility plans to take corrective action and implement a policy to ensure this issue does not arise in the future. The Facility will maintain original documentation to support the reimbursements and ensure that fund activity is accurately recorded in the account's record and financial statements.

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OHIO AUDITOR OF STATE
KEITH FABER



WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER

ALLEN 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
OCTOBER 15, 2019**