



OHIO AUDITOR OF STATE
KEITH FABER



**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY
JUNE 30, 2019**

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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 Statement

We have audited the accompanying financial statement 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 year ended June 30, 2019.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement 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 this financial statement 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 statement is 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 statement 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 statement, the Facility prepared this financial statement 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 statement 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 this statement 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 permits. 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 statement referred to above does 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, 2019, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents 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 year ended June 30, 2019 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, 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. 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 June 23, 2020, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

June 23, 2020

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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, 2019**

	State Appropriations and Grants			Offender Funds		Section 125 Benefit Plan	Totals
	ODRC 501-501	Septa Fairfield Co. Collaboration	Federal	Resident Program	Offender Personal Funds		
Cash Receipts:							
Intergovernmental	\$2,440,048	\$50,000	\$0	\$0	\$0	\$0	\$2,490,048
Receipts for Offenders	0	0	0	0	108,152	0	108,152
Collections from Offenders							
for Reimbursement	0	0	0	43,528	0	0	43,528
for Work Release	0	0	0	0	0	0	0
for Commissary Reimbursement	0	0	0	10,516	0	0	10,516
for Per Diem	0	0	0	0	0	0	0
Commissions	0	0	0	33,929	0	0	33,929
Miscellaneous Revenue	0	0	0	2,973	0	0	2,973
Total Cash Receipts	2,440,048	50,000	0	90,946	108,152	0	2,689,146
Cash Disbursements:							
Personnel	1,759,543	50,000	0	0	0	0	1,809,543
Operating Costs	584,514	0	0	0	0	60	584,574
Program Costs	41,035	0	0	93,937	0	0	134,972
Equipment	120,827	0	0	0	0	0	120,827
Offender Payments to CBCF:							
for Work Release	0	0	0	0	0	0	0
For Education	0	0	0	0	18,752	0	18,752
for Commissary/Personal Care	0	0	0	0	67,796	0	67,796
for Nurse	0	0	0	0	17	0	17
for Physician	0	0	0	0	187	0	187
for Sales Commissions	0	0	0	0	13,369	0	13,369
Offender Miscellaneous Payments	0	0	0	0	22,079	0	22,079
Offender Savings Paid at Exit	0	0	0	0	4,948	0	4,948
Total Cash Disbursements	2,505,919	50,000	0	93,937	127,148	60	2,777,064
Non-Operating Receipts/Disbursements							
Indigent Support	0	0	0	(23,875)	23,875	0	0
Disbursements from Prior FY (Including refund to ODRC)	217,715	0	0	0	0	0	217,715
Total Receipts Over/(Under) Disbursements	(283,586)	0	0	(26,866)	4,879	(60)	(305,633)
Fund Cash Balances, July 1, 2018	483,578	0	11,583	79,609	2,495	2,700	579,965
Fund Cash Balances, June 30, 2019	\$199,992	\$0	\$11,583	\$52,743	\$7,374	\$2,640	\$274,332
Unpaid Obligations/Open Purchase Orders	\$149,668						

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 Statement
For the Year Ended June 30, 2019

Note 1 – Reporting Entity

The Septa Correctional Facility (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 60 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves compose 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, 2019, the financial statement presents all funds related to the Facility.

During fiscal year 2019, the Facility's Governing Board contracted Facility operations to Star Community Justice Center, a community based correctional facility. Star Community Justice Center was responsible for essentially all management decisions related to the Facility, subject to the Facility Governing Board's oversight. In addition, on January 30, 2019, the Facility's 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. Therefore, as of July 1, 2019, Septa Correctional Facility no longer exists and all operations and assets/liabilities belong to Star Community Justice Center.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statement 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.

Fairfield County This fund reports amounts received from Fairfield County to offset personnel costs.

Federal This fund reports amounts received from the Federal government, including amounts passed through ODRC.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Septa Correctional Facility
Notes to the Financial Statement (Continued)
For the Year Ended June 30, 2019

Offender Funds

Offender Personal Funds This fund reported 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 Fund ORC 2301.58 established the Resident Program Fund. Upon approval of the facility governing board, the director of the CBCF may establish a Resident Program Fund. The director shall deposit in the fund all revenues received by the facility from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services.

Other Funds

Section 125 Benefit Plan This fund 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

This financial statement follows 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).

This statement includes 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 5.)

A summary of 2019 budgetary activity appears in Note 3.

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 in demand deposit accounts.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Septa Correctional Facility
Notes to the Financial Statement (Continued)
For the Year Ended June 30, 2019

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statement does 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 statement does not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2019 follows:

2019 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$2,644,479	\$2,655,587	(\$11,108)

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 Statement (Continued)
For the Year Ended June 30, 2019

Refund to ODRC

	2019
Cash, July 1	\$483,578
Disbursements Against Prior Year Budget	(217,715)
Payable to ODRC, July 1	(70,398)
Sub-Total	195,465
501 Cash Receipts	2,440,048
Budgetary Basis Disbursements	(2,655,587)
Amount Subject to Refund, June 30	(20,074)
One-Twelfth of 501 Award	(203,337)
Refundable to ODRC	(\$223,411)

Calculation of Payable to ODRC

	2019
Payable, July 1	\$70,398
Cash Refunded	-
Refundable to ODRC, June 30	-
Payable, June 30	\$70,398

Note 6 – Risk Management

Workers' Compensation

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.

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 health care 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, 2019.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Septa Correctional Facility
Notes to the Financial Statement (Continued)
For the Year Ended June 30, 2019

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 2019 and 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 2019 and 2018.

Note 9 – Subsequent Events

Included in the Budgetary Disbursements for 2019 are \$149,668 in expenses that were incurred prior to the end of the fiscal year but were not paid until after June 30, 2019.

The Facility Governing Board dissolved Septa Correctional Facility as a legal entity effective July 1, 2019. The Ohio Department of Rehabilitation and Correction Bureau of Community Sanctions directed all grant funds previously allocated to the Septa Correctional Facility to STAR Community Justice Center as of July 1, 2019. On July 1, 2019, the following fund balances became the property of Star Community Justice Center:

Fund	Balance
ODRC 501-501	\$ 199,992
Federal	11,583
Resident Program	52,743
Offender Personal Funds	7,374
Section 125 Benefit Plan	2,640
Total	<u>\$ 274,332</u>

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OHIO AUDITOR OF STATE KEITH FABER



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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 statement 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 year ended June 30, 2019, and the related notes to the financial statement and have issued our report thereon dated June 23, 2020 wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections prescribes or permits and wherein we noted that Septa Correctional Facility was dissolved 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 statement, but not to the extent necessary to opine on the effectiveness of the Facility's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2019-001 and 2019-004 through 2019-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Facility's financial statement is 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 2019-001 through 2019-003.

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 statement 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

June 23, 2020

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2019

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

FINDING NUMBER 2019-001

Noncompliance and Material Weakness

Community-Based Correctional Facility Grant Manual § II.G.1 provides that Community-Based Correctional Facilities must maintain accurate and legible accounting records to prepare financial reports. Community-Based Correctional Facility Grant Manual § II.G.5.1 states that Community-Based Correctional Facilities 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) 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 2019. However, the underlying reports used for the reconciliations did not accurately reflect prior audit adjustments and did not include all outstanding items and were, therefore, not accurate. Further, the Fiscal Specialist reconciled the accounts and the Fiscal Director reviewed them, however, he did not indicate his review. For the remaining funds, the Facility maintained monthly balances for the State Appropriations and Grants funds during the audit period. However, the Fiscal Specialist did not reconcile cash balances to the Fiscal Agent reported balances monthly.

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 Fiscal Specialist 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 Fiscal Director should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: In the future, STAR can ensure these funds are reconciled and presented to the Board for review.

FINDING NUMBER 2019-002

Noncompliance

Community-Based Correctional Facility 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 the Ohio Department of Rehabilitation and Correction.

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2019
(Continued)

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

FINDING NUMBER 2019-002 (Continued)

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

The Fiscal Specialist did not properly calculate the balance at June 30 for fiscal year 2019. The Facility made no payments to the Ohio Department of Rehabilitation and Correction during the fiscal year. The total due at June 30 should have been \$70,398. 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 the Ohio Department of Rehabilitation and Correction in a timely manner.

Official's Response: It was believed that the previous fiscal year had been done correctly and since it was not, this caused 2019 to be off.

FINDING NUMBER 2019-003

Noncompliance

Community-Based Correctional Facility 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.F.3.b. requires the Community-Based Correctional Facility to submit quarterly financial reports within 30 days following the end of the quarter. A final year-end financial report must be submitted 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 one of the Fiscal Year 2019 quarterly reports by the required date. The Fiscal Specialist filed the 2019 fourth fiscal year quarterly reports 62 days past due. The Fiscal Specialist filed the 2019 final report 13 days past due. Failure to properly report grant funding can result in penalties by the grantor.

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 reports past due. Moving forward, the facility will be more mindful of these dates per the grant manual.

FINDING NUMBER 2019-004

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 their respective public offices in certain categories including reliability of financial reporting.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019
(Continued)**

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

FINDING NUMBER 2019-004 (Continued)

Material Weakness – Fund Balances (Continued)

Athens County became the fiscal agent for the Facility's Ohio Department of Rehabilitation and Correction (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 Years 2017 through Fiscal Year 2019, so there was no co-mingling of activity. However, a separate fund by the Fiscal Agent should be established to account for the Federal fund balance of \$11,583 to maintain accountability.

The Fiscal Agent should be contacted by those responsible for ODRC funding 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 2019-005

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 an increase in Operating Cost of \$8,153 and Disbursements from Prior FY of \$217,715.
- In the Resident Program Fund, amounts presented on the Annual Financial Report did not agree to the underlying accounting system which resulted in a decrease in Collections from Offenders of \$47,421, an increase in Collections from Offenders for Reimbursement of \$43,527, a decrease in Reimbursement of \$22,833, an increase in Collections from Offenders for Commissary Reimbursement of \$10,516, an increase in Commissions of \$19,394, a decrease in Miscellaneous Revenue of \$228, an increase in Indigent Support of \$23,875.
- 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 in Offender Legal Obligations of \$58, a decrease in Offender Payments to CBCF for Work Release of \$7,761, an increase in Offender Payments to CBCF for Education of \$18,752, a decrease in Offender Payments to CBCF for Commissary/Personal Care of \$17,561, an increase in Offender

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019
(Continued)**

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

FINDING NUMBER 2019-005 (Continued)

Material Weakness – Material Adjustments (Continued)

Payments to CBCF for Nurse of \$17, an increase in Offender Payments to CBCF for Physician of \$187, an increase in Offender Payments to CBCF for Sales Commission of \$13,369, an increase in Offender Miscellaneous Payments of 16,415, and a decrease in Offender Savings Paid at Exit of \$1,504, and an increase in Indigent Support of \$23,875,

- 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 \$60.

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, notes to the financial statements, and ledgers, and are reflected in the accompanying financial statements.

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: 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.

FINDING NUMBER 2019-006

Material Weakness – Segregation of Duties

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

The Facility's Fiscal Specialist was responsible for approving adjustments to these accounts during the audit period, as well as posting those adjustments to the accounting system. There was no evidence of any review or monitoring of the adjustments 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 also 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 Facility should establish segregation of duties so that the person approving adjustments to the accounting system is not the same person posting these adjustments to the system.

Official's Response: In the future, STAR can increase the segregation of duties and increase the monitoring of these particular funds mentioned.



Community Justice Center

Structure Therapy Advocacy Restoration
Serving Nine Counties

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2019

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
2018-001	Noncompliance with Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.A for late submission of quarterly and final reports.	Not Corrected	It is unknown 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.
2018-002	Noncompliance with Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.G for failure to refund excess grant funds to the Ohio Department of Rehabilitation and Correction.	Not Corrected	It was believed that the previous fiscal year had been done correctly and since it was not, this caused 2019 to be off.
2018-003	Noncompliance with Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.D.3.d(5) and Significant Deficiency for failure to submit an accurate and complete inventory schedule.	Fully Corrected	N/A
2018-004	Material Weakness for failure to prepare and monitor accurate bank reconciliations.	Not Corrected	It is unknown why Septa failed to prepare and monitor bank reconciliations. In the future, STAR will ensure to prepare and monitor accurate bank reconciliations.
2018-005	Material Weakness for inadequate segregation of duties.	Not Corrected	In the future, STAR can increase the segregation of duties and increase the monitoring of these particular funds mentioned.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
JUNE 30, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-006	Material Weakness relating to inadequate system design to segregate fund balances held by Fiscal Agent.	Not Corrected	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.
2018-007	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.

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
JULY 7, 2020**