



OHIO AUDITOR OF STATE
KEITH FABER



**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY
JUNE 30, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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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 Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund, and related notes of the Western Ohio Regional Treatment and Habilitation Center, Allen County, Ohio (the Facility) as of and for the fiscal years ended June 30, 2020 and 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Facility prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Department of Rehabilitation and Corrections, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Efficient • Effective • Transparent

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 permits. Our opinions on this accounting basis are in the *Qualified Opinion on Regulatory Basis of Accounting and Unmodified 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, 2020 and 2019 and the respective changes in financial position thereof for the fiscal years then ended.

Summary of Opinions on Regulatory Basis of Accounting

Opinion Unit	Type of Opinion 2020	Type of Opinion 2019
ODRC 501-501 Funding Fund	Unmodified	Unmodified
Capital Fund	Unmodified	Unmodified
Federal Fund	Unmodified	Unmodified
Justice Reinvestment and Incentive Grant Fund	Unmodified	Unmodified
Probation Improvement and Incentive Grant Fund	Unmodified	Unmodified
Offender Personal Funds	Qualified	Qualified
Resident Program Fund	Unmodified	Unmodified

Basis for Qualified Opinion on Regulatory Basis of Accounting

Receipts for offenders are reported at \$232,245 for the fiscal year ended June 30, 2020 and \$241,893 for the fiscal year ended June 30, 2019, are 100% of the receipts recorded in the Offender Personal Funds for each year. We were unable to obtain sufficient appropriate audit evidence supporting \$232,245 and \$241,893 of the amounts recorded as Receipts for offenders for the fiscal years ended June 30, 2020 and 2019. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Offender disbursements are reported at \$236,599 for the fiscal year ended June 30, 2020 and \$236,853 for the fiscal year ended June 30, 2019. We were unable to obtain sufficient appropriate audit evidence supporting the classification of \$236,599 and \$236,853 of the amounts recorded as Offender disbursements for the fiscal years ended June 30, 2020 and 2019. 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 for the Offender Personal Funds of the Western Ohio Regional Treatment and Habilitation Center, Allen County as of and for the fiscal years ended June 30, 2020 and 2019 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, Justice Reinvestment and Incentive Grant Fund, Probation Improvement and Incentive Grant Fund and the Resident Program Fund of the Western Ohio Regional Treatment and Habilitation Center, Allen County as of and for the fiscal years ended June 30, 2020 and 2019 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 fiscal years ended June 30, 2020 and 2019, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of 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 July 7, 2021, 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

July 7, 2021

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS) - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>State Appropriations and Grants</u>					<u>Offender Funds</u>		<u>Totals</u>
	<u>ODRC 501-501 Funding</u>	<u>Capital</u>	<u>Federal</u>	<u>Justice Reinvestment and Incentive Grant</u>	<u>Probation Improvement and Incentive Grant</u>	<u>Offender Personal Funds</u>	<u>Resident Program</u>	
Receipts:								
Intergovernmental	\$ 3,170,185	\$ 0	\$ 0	\$ 294,426	\$ 1,255	\$ 0	\$ 0	\$ 3,465,866
Receipts for offenders	0	0	0	0	0	232,245	0	232,245
Commissions	0	0	0	0	0	0	95,623	95,623
Reimbursement	68,468	0	0	0	0	0	250,441	318,909
Total receipts	<u>3,238,653</u>	<u>0</u>	<u>0</u>	<u>294,426</u>	<u>1,255</u>	<u>232,245</u>	<u>346,064</u>	<u>4,112,643</u>
Disbursements:								
Personnel	2,566,950	0	0	217,739	0	0	0	2,784,689
Operating costs	614,836	0	0	11,622	0	0	323,510	949,968
Program costs	177,418	0	0	61,582	0	0	15,132	254,132
Equipment	24,939	0	0	63,404	0	0	0	88,343
Offender disbursements	0	0	0	0	0	0	0	0
Offender payments to CBCF	0	0	0	0	0	227,857	0	227,857
Offender savings paid at exit	0	0	0	0	0	8,742	0	8,742
Total disbursements	<u>3,384,143</u>	<u>0</u>	<u>0</u>	<u>354,347</u>	<u>0</u>	<u>236,599</u>	<u>338,642</u>	<u>4,313,731</u>
Total receipts over/(under) disbursements	(145,490)	0	0	(59,921)	1,255	(4,354)	7,422	(201,088)
Fund balances (regulatory cash basis), July 1, 2019	<u>236,853</u>	<u>6,400</u>	<u>262</u>	<u>80,381</u>	<u>0</u>	<u>9,301</u>	<u>13,139</u>	<u>346,336</u>
Fund balances (regulatory cash basis), June 30, 2020	<u>\$ 91,363</u>	<u>\$ 6,400</u>	<u>\$ 262</u>	<u>\$ 20,460</u>	<u>\$ 1,255</u>	<u>\$ 4,947</u>	<u>\$ 20,561</u>	<u>\$ 145,248</u>
Unpaid obligations/open purchase orders	<u>\$ 986,598</u>							

See accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 year ended June 30, 2020, the financial statements present all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

State Appropriations and Grants

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Justice Reinvestment and Incentive Grant (JRIG) These grant revenues are funded through the State of Ohio to assist local governments in community-based law enforcement services.

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.

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.

Resident Program Fund 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. This fund also accounts for amounts charged to non-indigent offenders' personal funds for use of the commissary and receives other significant sources of receipts, such as vending machine commissions.

Basis of Accounting

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

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

Budgetary Process

Appropriations The Facility must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Facility cannot spend or obligate (i.e., encumber) more than the appropriation. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

Encumbrances Disbursements from State appropriations and Grants are subject to 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 2020 budgetary activity appears in Note 3.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the year ending June 30, 2020 follows:

<u>2020 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$ 6,429,666	\$ 4,302,273	\$ 2,127,393

Reimbursement activity of \$68,468 is not included in the budgetary expenditures. Budgetary expenditures include unpaid obligations/open purchase orders at year end.

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 Deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Offender Funds did not exceed the FDIC coverage of \$250,000 during fiscal year 2020.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	2020
Cash, July 1	\$ 236,853
Disbursements against prior year budget	(78,343)
Payable to ODRC, July 1	0
Sub-total	158,510
501 Cash receipts	3,170,185
Budgetary basis disbursements	(4,302,273)
Amount subject to refund, June 30	(973,578)
One-twelfth of 501 award	(535,806)
Refundable to ODRC*	\$ 0

*As of the fiscal year ending June 30, 2020, community-based correctional facilities are operating with the Ohio Department of Rehabilitation and Correction under two-year grants. Refunds for unspent funds from the grant period will not be calculated until the period ending June 30, 2021.

Note 6 – 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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Note 7 – Defined Benefit Pension Plan

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, 2020.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during fiscal year 2020.

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Facility. The investments of the pension and other employee benefit plan in which the Facility participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Facility's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS) - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>State Appropriations and Grants</u>					<u>Offender Funds</u>		<u>Totals</u>
	<u>ODRC 501-501 Funding</u>	<u>Capital</u>	<u>Federal</u>	<u>Justice Reinvestment and Incentive Grant</u>	<u>Probation Improvement and Incentive Grant</u>	<u>Offender Personal Funds</u>	<u>Resident Program</u>	
Receipts:								
Intergovernmental	\$ 2,958,072	\$ 0	\$ 8,257	\$ 228,844	\$ 0	\$ 0	\$ 0	\$ 3,195,173
Receipts for offenders	0	0	0	0	0	241,893	0	241,893
Commissions	0	0	0	0	0	0	83,411	83,411
Reimbursement	36,432	0	0	0	(34,376)	0	263,881	265,937
Other income/interest	7,284	0	0	0	0	0	0	7,284
Total receipts	<u>3,001,788</u>	<u>0</u>	<u>8,257</u>	<u>228,844</u>	<u>(34,376)</u>	<u>241,893</u>	<u>347,292</u>	<u>3,793,698</u>
Disbursements:								
Personnel	2,268,581	0	0	270,457	0	0	0	2,539,038
Operating costs	661,235	0	0	35,814	0	0	324,651	1,021,700
Program costs	111,312	0	0	65,161	0	0	21,849	198,322
Equipment	147,854	11,576	0	10,000	0	0	0	169,430
Offender disbursements	0	0	0	0	0	0	0	0
Offender payments to CBCF	0	0	0	0	0	211,071	0	211,071
Offender savings paid at exit	0	0	0	0	0	25,782	0	25,782
Total disbursements	<u>3,188,982</u>	<u>11,576</u>	<u>0</u>	<u>381,432</u>	<u>0</u>	<u>236,853</u>	<u>346,500</u>	<u>4,165,343</u>
Total receipts over/(under) disbursements	(187,194)	(11,576)	8,257	(152,588)	(34,376)	5,040	792	(371,645)
Fund balances (regulatory cash basis), July 1, 2018	<u>424,047</u>	<u>17,976</u>	<u>(7,995)</u>	<u>232,969</u>	<u>34,376</u>	<u>4,261</u>	<u>12,347</u>	<u>717,981</u>
Fund balances (regulatory cash basis), June 30, 2019	<u><u>\$ 236,853</u></u>	<u><u>\$ 6,400</u></u>	<u><u>\$ 262</u></u>	<u><u>\$ 80,381</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 9,301</u></u>	<u><u>\$ 13,139</u></u>	<u><u>\$ 346,336</u></u>
Unpaid obligations/open purchase orders	<u><u>\$ 78,343</u></u>							

See accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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
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For the year ended June 30, 2019, the financial statements present all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

State Appropriations and Grants

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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Resident Program Fund 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. This fund also accounts for amounts charged to non-indigent offenders' personal funds for use of the commissary and receives other significant sources of receipts, such as vending machine commissions.

Basis of Accounting

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

Budgetary Process

Appropriations The Facility must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Facility cannot spend or obligate (i.e., encumber) more than the appropriation. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

Encumbrances Disbursements from State appropriations and Grants are subject to 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 2019 budgetary activity appears in Note 3.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

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

<u>2019 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$ 2,962,073	\$ 3,230,893	\$ (268,820)

Reimbursement activity of \$36,432 is not included in the budgetary expenditures. Budgetary expenditures include unpaid obligations/open purchase orders at year end.

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 Deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Offender Funds did not exceed the FDIC coverage of \$250,000 during fiscal year 2019.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Refund to ODRC	
	2019
Cash, July 1	\$ 424,047
Disbursements against prior year budget	(262,195)
Payable to ODRC, July 1	0
Sub-total	161,852
501 Cash receipts	2,958,072
Budgetary basis disbursements	(3,230,893)
Amount subject to refund, June 30	(110,969)
One-twelfth of 501 award	(246,839)
Refundable to ODRC	\$ 0

Note 6 – 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 7 – Defined Benefit Pension Plan

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.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during fiscal year 2019.

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Facility. The investments of the pension and other employee benefit plan in which the Facility participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Facility's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 10 – Negative Receipt

The Probation Improvement and Incentive Grant fund reported reimbursement receipts in the amount of (\$34,376) on the Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) for the fiscal year ended June 30, 2019. This amount represents a reimbursement of grant receipts to the State of Ohio.

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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

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

To the Members of the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements for each fund of the Western Ohio Regional Treatment and Habilitation Center, Allen County, (the Facility) as of and for the fiscal years ended June 30, 2020 and 2019 and the related notes to the financial statements and have issued our report thereon dated July 7, 2021, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections prescribes or permits. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Facility. We qualified our opinion in 2020 and 2019 for the amounts reported as receipts for offenders and offender disbursements in the Offender Personal Funds.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

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 financial statements. 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-003.

Facility's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

July 7, 2021

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

**SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Material Weakness - Offender Personal Funds Receipts and Disbursements

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 should have procedures and/or controls in place to ensure documentation is maintained to support each receipt and disbursement recorded for offenders in the Offender Personal Funds.

The receipts for offenders and the balances of offender's personal resident accounts were accounted for in the Lockdown accounting system. We attempted to trace receipts for offenders from the Lockdown All Transactions Report to receipts recorded in the individual offender's file for the fiscal years ended June 30, 2020 and 2019. However, the Facility was unable to provide offender personal files containing receipts or deposit slips supporting any of the receipts selected for testing.

The disbursements for offenders were also accounted for in the Lockdown accounting system. We were able to conclude from testing of Offender Personal Fund disbursements that the disbursements were for offenders. However, documentation was not available from the Lockdown accounting system to determine the correct classification of the disbursements on the financial statements.

Due to a lack of procedures and/or controls over maintaining documentation to support receipts and disbursements from offenders, we were unable to obtain sufficient appropriate audit evidence supporting the amounts reported as receipts for offenders or the classification of offender disbursements for the years ended June 30, 2020 and 2019. The lack of supporting documentation resulted in the qualification of the amounts reported as receipts and disbursements for offenders in the Offender Personal Funds for the years ended June 30, 2020 and 2019. In addition, the lack of supporting documentation increased the risk that errors and/or irregularities would not be detected by the Facility.

The Facility should implement procedures and controls to ensure documentation is maintained that includes but is not necessarily limited to the name of the individual paying the money, the name of offender to receive credit for the payment, and the balance of the offender's account along with maintaining duplicate receipts and deposit receipts. Documentation should also be maintained to support the classification of offender disbursements on the financial statements. Periodically the offender files should be reviewed to ensure supporting documentation is being maintained for each offender transaction. The Board or a sub-committee should periodically review the files to verify that documentation is being maintained. In addition, the Board should be provided with financial reports that present activity by line item classification to help in the detection of recording errors.

FINDING NUMBER 2020-002

Material Weakness - Reimbursement Receipts

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 should have procedures and/or controls in place to ensure supporting documentation is maintained for the amounts reported as reimbursement receipts in the Resident Program fund and receipts are properly classified. Due to the lack of supporting documentation for reimbursement receipts and the failure to properly determine the classification of receipts, the following issues were identified:

- For the fiscal year ended June 30, 2020, fifty-nine Reimbursement receipts were tested totaling \$21,804.28. The Facility was not able to provide a deposit slip, copy of a check from a vendor, an invoice, or other forms of supporting documentation to support the amount recorded for seventeen of the receipts tested (29%) totaling \$342.82 (2%). An additional six of the reimbursement receipts tested totaling \$19,036 were Commission receipts improperly classified as Reimbursement receipts. The source of the classification errors was determined to be Commission payments from Securas Technologies and Summit Food Service, LLC. The total amount of Commission receipts from these vendors improperly classified as Reimbursement receipts for the fiscal year ended June 30, 2020 was \$95,623.
- For the fiscal year ended June 30, 2019, fifty-six reimbursement receipts were tested totaling \$28,476.09. The Facility was not able to provide a deposit slip, copy of a check from a vendor, an invoice, or other forms of supporting documentation to support the amount recorded for fifteen of the receipts tested (27%) totaling \$644.59 (2%). An additional seven of the reimbursement receipts tested totaling \$22,925 were Commission receipts improperly classified as Reimbursement receipts. The source of the classification errors was determined to be Commission payments from Securas Technologies and Summit Food Service, LLC. The total amount of Commission receipts from these vendors improperly classified as Reimbursement receipts for the fiscal year ended June 30, 2019 was \$70,646.

The accompanying financial statements have been adjusted to correct the classification errors noted above.

The failure to maintain adequate supporting documentation for reimbursement receipts weakened the accountability over the recording of these receipts, increased the risk of errors and/or irregularities not being detected in a timely manner, and resulted in the material misstatement of the financial statements.

The Facility should maintain supporting documentation for Reimbursement Receipts, including but not limited to deposit slips, copies of checks from vendors, invoices, or other underlying documents supporting the amount, type and classification of the receipt. The Board or a sub-committee should periodically review the records to verify that supporting documentation is being maintained for receipts. In addition, the Board should be provided with financial reports that present activity by line item classification to help in the detection of recording errors.

FINDING NUMBER 2020-003

Noncompliance Citation

Ohio Rev. Code § 117.38(A) states, in part, that each public office, "shall file a financial report within 60 days after the close of the fiscal year."

The Facility filed the financial report for the fiscal year ended June 30, 2020 on January 23, 2021, which was not by the required date of August 29, 2020. The Facility filed the financial report for the fiscal year ended June 30, 2019 on January 22, 2021, which was not by the required date of August 29, 2019. **Ohio Rev. Code § 117.38** imposes a penalty of \$25 per day (\$750 maximum) for incomplete filings.

The failure to maintain records to support the activity and balances in the Offender Funds may have contributed to the failure to file financial reports for the fiscal years ended June 30, 2020 and 2019 by the required filing dates.

The Facility should establish and implement procedures to verify the accounting records are maintained in a manner that will ensure the timely filing of the annual financial reports.

OFFICIALS' RESPONSE TO FINDINGS REPORTED ABOVE:

After reviewing the state's recent financial audit of our facility, we are aware of the issues identified and are developing corrective action plans to ensure they are corrected moving forward. Our plans will include identifying changes in some financial practices, as well as ensuring financial policies are updated and accurate. An immediate change that has already taken place is the replacement of our former Finance Director.

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Enhancing the WORTH of individuals by giving them skills and to become successful and involved community members.



Western Ohio Regional Treatment and Habilitation Center

EXECUTIVE DIRECTOR

Brent Burk

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For fiscal years ending June 30, 2020 and 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – Commissions Receipts and Reimbursement Receipts	Partially Corrected / In-Progress	The WORTH Center recently had changes in staff, including a new Director of Finance. The facility is working to ensure policy is accurate and processes are in place to ensure systems such as QuickBooks and LockDown are utilized to properly track each receipt in this fund. Repeated as finding 2020-002
2018-002	Noncompliance Citation - Ohio Rev. Code § 117.38(A) – financial report not filed by the required date	Not Corrected	Repeated as finding 2020-003

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OHIO AUDITOR OF STATE KEITH FABER



WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/19/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov