



**Auditor of State
Betty Montgomery**

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds - For the Year Ended June 30, 2004.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds - For the Year Ended June 30, 2003.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Ohio Department of Rehabilitation and Corrections Appropriations - For the Year Ended June 30, 2002.....	7
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

River City Correctional Center
Hamilton County
3220 Colerain Avenue
Cincinnati, Ohio 45202

To the Judicial Corrections Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 25, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

River City Correctional Center
Hamilton County
3220 Colerain Avenue
Cincinnati, Ohio 45202

To the Judicial Corrections Board:

We have audited the accompanying financial statements of the River City Correctional Center, Hamilton County, Ohio (the Center), as of and for the years ended June 30, 2004, 2003 and 2002. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statement for 2002 presents only the receipts, disbursements, and cash balances related to State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Center. This statement is not intended to present the cash receipts, disbursements, and balances of all Center funds for the year ended June 30, 2002.

As described more fully in Note 1, the Center has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Center to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2004. Instead of the individual funds the accompanying financial statements present for 2004 (and 2003 and 2002), the revisions require presenting entity wide statements and also to aggregate its smaller (i.e. nonmajor) funds for 2004. While the Center does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Center has elected not to reformat its statements. Since the Center does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Center's funds as of June 30, 2004, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the River City Correctional Center as of June 30, 2004 and 2003 and State Appropriations cash balances as of June 30, 2002, and the related cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Center to include Management's Discussion and Analysis for the year ended June 30, 2004. The Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005, on our consideration of the Center'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 25, 2005

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2004**

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	RSAT Grant	Offender Personal Funds	I&E Telephone Commissions	
Cash Receipts:					
Intergovernmental	\$ 5,649,063	\$ 9,932	\$ -	\$ -	\$ 5,658,995
Collections from offenders	-	-	182,396	11,688	194,084
Commissions	-	-	-	42,776	42,776
Total Cash Receipts	5,649,063	9,932	182,396	54,464	5,895,855
Cash Disbursements:					
Personnel	4,379,574	32,404	-	-	4,411,978
Operating costs	812,523	-	-	-	812,523
Program costs	122,973	-	-	42,213	165,186
Equipment	1,408	-	-	-	1,408
Offender Disbursements:					
Offender legal obligations	-	-	7,115	-	7,115
Offender reimbursements	-	-	110,353	-	110,353
Offender payments to CBCF	-	-	32,952	-	32,952
Offender savings paid at exit	-	-	26,616	-	26,616
Total Cash Disbursements	5,316,478	32,404	177,036	42,213	5,568,131
Disbursements from prior FY (Including refund to ODRC)	274,223	-	-	-	274,223
Total Receipts Over/(Under) Disbursements	58,362	(22,472)	5,360	12,251	53,501
Fund Cash Balances (Deficits), July 1, 2003	(779,094)	39,081	356	12,495	(727,162)
Fund Cash Balances (Deficits), June 30, 2004	(\$720,732)	\$16,609	\$5,716	\$24,746	(\$673,661)
Unpaid Obligations/Open Purchase Orders	\$ 507,293				

RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	State Appropriations and Grants			Offender Funds		Totals
	ODRC 501-501	Federal	RSAT Grant	Offender Personal Funds	I&E Telephone Commissions	
Cash Receipts:						
Intergovernmental	\$4,184,462	\$27,505	\$42,477	\$0	\$0	\$4,254,444
Collections from offenders	-	-	-	146,003	15,455	161,458
Commissions	-	-	-	-	38,153	38,153
Total Cash Receipts	4,184,462	27,505	42,477	146,003	53,608	4,454,055
Cash Disbursements:						
Personnel	4,251,132	-	20,395	-	-	4,271,527
Operating costs	758,739	27,505	1,465	-	-	787,709
Program costs	197,960	-	-	-	55,578	253,538
Equipment	37,127	-	-	-	-	37,127
Offender Disbursements:						
Offender legal obligations	-	-	-	4,977	-	4,977
Offender reimbursements	-	-	-	107,176	-	107,176
Offender payments to CBCF	-	-	-	6,317	-	6,317
Offender savings paid at exit	-	-	-	24,514	-	24,514
Total Cash Disbursements	5,244,958	27,505	21,860	142,984	55,578	5,492,885
Disbursements from prior FY (Including refund to ODRC)	278,489	-	14,125	-	-	292,614
Total Receipts Over/(Under) Disbursements	(1,338,985)	-	6,492	3,019	(1,970)	(1,331,444)
Fund Cash Balances (Deficits), July 1, 2002	559,901	-	32,589	(2,663)	14,465	604,292
Fund Cash Balances (Deficits), June 30, 2003	<u>\$ (779,084)</u>	<u>\$ -</u>	<u>\$ 39,081</u>	<u>\$ 356</u>	<u>\$ 12,495</u>	<u>\$ (727,152)</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 274,223</u>					

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2002**

	State Appropriations and Grants
	ODRC 501-501
Cash Receipts:	
Intergovernmental	5,531,170
Total Cash Receipts	5,531,170
Cash Disbursements:	
Personnel	4,221,689
Operating costs	717,689
Program costs	59,695
Equipment	23,957
Total Cash Disbursements	5,023,030
Disbursements from prior FY (Including refund to ODRC)	240,251
Total Receipts Over/(Under) Disbursements	267,889
Fund Cash Balances, July 1, 2001	292,012
Fund Cash Balances, June 30, 2002	\$ 559,901
Unpaid Obligations/Open Purchase Orders	\$ 278,489

This page intentionally left blank.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The River City Correctional Center, Hamilton County, Ohio (the Center), provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 200 offenders. The Judicial Corrections Board administers the Center. The Board is comprised of common pleas court judges from the County the Center serves. The Center serves Hamilton County.

For the year ended June 30, 2002, the accompanying financial statement presents only the activity of State appropriations received through the Ohio Department of Rehabilitations and Corrections. For the years ended June 30, 2004 and 2003, the financial statement presents all funds related to the Center.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Center recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State requires.

C. Cash

The Center holds offenders' cash in demand deposit accounts. The Hamilton County Treasurer is the custodian of the Center's grant funds and State appropriations. Positive fund balances at June 30 indicate that the County is holding Center assets in the County's cash and investment pool, valued at the County Treasurer's reported carrying amount. Negative fund cash balances at June 30 indicate that the County has issued disbursements from the County cash and investment pool in excess of amounts held by the County on behalf of the Center.

Fund cash balances (deficits) at June 30 follow:

	<u>ODRC 501-501</u>	<u>RSAT Grant</u>	<u>Offender Funds</u>
June 30, 2002	\$559,901	\$32,589	\$17,128
June 30, 2003	(779,084)	32,081	12,851
June 30, 2004	(720,732)	16,609	30,462

D. Fund Accounting

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

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Center to support general operating costs.

Ohio Office of Criminal Justice Services (OCJS) Funding: OCJS serves as the pass through organization for monies being distributed by the Federal Government. The Center receives monies from OCJS under the Residential Substance Abuse Treatment for State Prisoners (RSAT) Program. RSAT funds are used to develop and implement residential substance abuse treatment programs.

State Appropriations and Grants (Continued)

Department of Education Funding: The Center receives Federal monies from DOE under the National School Lunch Program. DOE reimburses the Center for food costs associated with providing meals to residents that are under the age of 21. It should be noted that these monies are not in the form of a grant.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
OCJS Funding – RSAT	\$9,932	\$42,477	N/A
DOE Funding	N/A	27,505	\$27,283

Offender Funds

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

Industrial and Entertainment 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 Resident Fund reimburses this Fund for costs chargeable to Offender Funds.

E. Budgetary Process

1. Appropriations

The Center 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 Center cannot spend or obligate (i.e., encumber) more than the appropriation. Centers must obtain approval from ODRC to transfer amounts between budget categories.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Hamilton County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Center 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 4.)

A summary of 2004, 2003 and 2002 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Center records acquisitions of property, plant, and equipment as capital project disbursements when paid. The financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Center uses.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2004, 2003 and 2002 follows:

Budget	Budgetary Expenditures	Variance
\$5,887,161	\$5,823,771	\$63,390

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Budget	Budgetary Expenditures	Variance
\$5,548,542	\$5,519,181	\$29,361

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Budget	Budgetary Expenditures	Variance
\$5,480,000	\$5,301,519	\$178,481

The Community Based Correctional Facility Grant Manual '02-'03 Section IV, D1a (Pg. 50); '04-'05 Section II D1.a (Pg. 15) states in part that total expenditures (including encumbrances) must not exceed the grant award.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

2. BUDGETARY ACTIVITY

In fiscal year 2003, the personnel costs category had total expenditures (including encumbrances) of \$4,251,132 which exceeded the grant award of \$4,232,019 by \$19,113. Also, the program expenses cost category had total expenditures (including encumbrances) of \$197,960 that exceeded the grant award of \$177,286 by \$10,674.

In fiscal year 2002, the personnel cost category had total expenditures (including encumbrances) of \$4,221,690 that exceeded the grant award of \$4,153,197 by \$68,493.

3. 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 Center.

OFFENDER FUNDS

Deposits

The Center has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There are no uncollateralized amounts at June 30, 2004, 2003 and 2002.

4. REFUND TO ODRC

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

Refund to ODRC			
	2004	2003	2002
Cash, July 1	(\$779,084)	\$559,901	\$292,012
Disbursements Against Prior Year Budget	(\$274,223)	(\$1,763,726)	(\$240,251)
Payable to ODRC, July 1	\$0	(\$1,485,237)	(\$1,485,237)
Sub-Total	(\$1,053,307)	(\$2,689,062)	(\$1,433,476)
501 Cash Receipts	5,649,063	5,669,699	5,531,170
Budgetary Basis Disbursements	(5,823,771)	(5,519,181)	(5,301,519)
Amount Subject to Refund, June 30	(\$1,228,015)	(2,538,544)	(1,203,825)
One-Twelfth of 501 Award	490,597	462,379	456,667
Refundable to ODRC	0	0	0

Calculation of Payable to ODRC			
	2004	2003	2002
Payable, July 1	(0)	1,485,237	1,485,237
Cash Refunded	-	(1,485,237)	-
Refundable to ODRC, June 30	0	0	0
Payable, June 30	(0)	(0)	1,485,237

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002
(Continued)**

5. RETIREMENT SYSTEMS

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). Certified teachers belong to the State Teachers Retirement System (STRS). OPERS and STRS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Center contributed an amount equal to 13.55 percent of participants' gross salaries. STRS members contributed 9.3 percent of their gross salaries to STRS. The Center contributed an amount equal to 14 percent of participants' gross salaries to STRS. The Center has paid all contributions required through June 30, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Center is included in Hamilton County's commercial insurance policies for the following risks):

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

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

River City Correctional Center
Hamilton County
3220 Colerain Avenue
Cincinnati, Ohio 45202

To the Judicial Corrections Board:

We have audited the financial statements of the River City Correctional Center, Hamilton County, Ohio (the Center), as of and for the years ended June 30, 2004, 2003 and 2002, and have issued our report thereon dated August 25, 2005, wherein we noted the Center followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Our audit for the year ended June 30, 2002 included only State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Center. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2004-001 through 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all matters in the internal control that are also considered material weaknesses. We did not consider the reportable conditions listed above to be material weaknesses. In a separate letter to the Center's management dated August 25, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Center's management dated August 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Judicial Corrections Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 25, 2005

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004, 2003 AND 2002**

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

FINDING NUMBER 2004-001

Noncompliance Citation/Reportable Condition – Retention of Records

Ohio Rev. Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42.

Difficulties existed in testing offender account records because the Center did not retain commissary sheets prior to March 2005, reconciliation sheets prior to January 2003, probation payment information prior to May 2004, medical charge notification prior to March 2004, and commissary credit information and notifications prior to January 2004. Furthermore, for expenditures tested from the Offender Personal Fund and the I&E Telephone Commissions funds, Special Request Forms, Invoices and Receipts were not maintained for 37% of the items tested.

According to a letter from management dated June 16, 2005, the Center will begin retaining all records necessary for testing Offender and I&E Telephone Commissions accounts.

FINDING NUMBER 2004-002

Noncompliance Citation/Reportable Condition – Expenditures Exceeding Grant Award

The Community Based Correctional Facility Grant Manual '02-'03 Section IV, D1a (Pg. 50); '04-'05 Section II D1a (Pg. 15) states in part that total expenditures (including encumbrances) must not exceed the grant award; and that budget revisions and accompanied budget pages for each cost category are required if funds are moved between the four cost categories. The Center did not monitor the individual line items, and request revisions prior to exceeding the budgeted amounts.

In fiscal year 2003, the personnel costs category had total expenditures of \$4,251,132 which exceeded the grant award of \$4,232,019 by \$19,113. Also, the program expenses cost category had total expenditures (including encumbrances) of \$197,960 that exceeded the grant award of \$177,286 by \$10,674. In fiscal year 2002, the personnel cost category had total expenditures of \$4,221,690 that exceeded the grant award of \$4,153,197 by \$68,493.

This occurred in part because ODRC requires the Center to budget and monitor expenditures for Personnel, General Operating Expenses, Program Expenses and Equipment. However, the County only recorded budgetary accounts for Personnel and Equipment. Also, the County records budgets/appropriations for this fund on a calendar year. ODRC requires the Center to budget from July 1 through June 30. We recommend the Center request the County to: budget consistently with ODRC's requirements; establish budget categories and amounts to match the budget ODRC approved; and use a budget year ending June 30 for this activity if the County's accounting system will accommodate fiscal years other than those ending December 31. This budget does not require approval by the County Commissioners. Since the County acts solely as the fiscal agent on behalf of the Center, the County does not have the authority to alter the budget.

The Center should also monitor its fund balances with the County, and adjust their spending to avoid negative fund balances.

FINDING NUMBER 2004-003

Noncompliance Citation/Reportable Condition – Quarterly Financial Reports

The Community Based Correctional Facility Grant Manual '02-'03 Section IV, 3.b (Pg. 58); '04-'05 Part II 3.e (Pg. 24), states in part that CBCF's must submit quarterly financial reports within 30 days following the end of the quarter to the ODRC Community Based Correctional Facility Coordinator. For 2004-2005, House Bill 510 reduced this deadline to ten days.

In fiscal years 2004, 2003 and 2002, none of the quarterly or year-end financial reports were submitted within approximately 30 days after quarter end.

We recommend that the Center submit quarterly financial reports more timely following the end of the quarter to the ODRC Community Based Correctional Facility Coordinator.

FINDING NUMBER 2004-004

Reportable Condition – Approval of Invoices

For the ODRC 501-501 Fund, we noted that for 17% of items tested, the Administrative Director did not properly review or approve vendor invoices prior to payment. To help assure payments are allowable under the 501 grant, the Administrative Director should review and approve (by initialing) all invoices signaling okay for payment.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

RIVER CITY CORRECTIONAL CENTER

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 4, 2005**