



**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002**



**Auditor of State  
Betty Montgomery**



**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY  
SENECA COUNTY**

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**Auditor of State  
Betty Montgomery**

CROSSWAEH Community Based Correctional Facility  
Seneca County  
50 Park Avenue, East  
Mansfield, Ohio 44902

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 Facility 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 prescribed by the Ohio Department of Rehabilitation and Corrections Bureau of Community Sanctions.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

May 16, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

CROSSWAEH Community Based Correctional Facility  
Seneca County  
50 Park Avenue, East  
Mansfield, Ohio 44902

To the Judicial Corrections Board:

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

Except as described in paragraph 7, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

As described more fully in Note 1, the Facility has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections Bureau of Community Sanctions prescribes. 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 Facility to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2004. The revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Facility does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP disclosure and the new GAAP presentation requirements. Since this Facility uses accounting practices the Bureau of Community Sanctions prescribes rather than GAAP to measure financial amounts, the following paragraph does not imply the amounts reported are materially misstated under this accounting basis. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in paragraph number 8.

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 Facility's combined funds as of June 30, 2004, or their changes in financial position for the year then ended.

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 Facility. This statement is not intended to present the cash receipts, disbursements and balances of all Facility funds for the year ended June 30, 2002.

As further described in Note 1C to the financial statements, at June 30, 2002 and July 1, 2001, management has asserted that \$28,950 and \$51,969, respectively, of the Facility's grand total Fund Cash Balance was maintained in the cash pool of its managing nonprofit agency. We were unable to satisfy ourselves that these monies were in existence because of the pooling of the Facility's cash with that of the managing nonprofit agency.

In our opinion, except for the effects of such adjustments, if any, as we might have deemed necessary had we been able to examine evidence regarding fund cash balances held by the managing nonprofit agency, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the CROSSWAEH Community Based Correctional Facility, Seneca County 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 basis of accounting described in Note 1.

The Facility 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 May 16, 2005 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 grants. 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 our testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



**Betty Montgomery**  
Auditor of State

May 16, 2005



OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY  
NAME OF FACILITY: CROSSWAEH

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
FOR THE PERIOD ENDED \_\_FY 2004**

	State Appropriations and Grants				Offender Funds					GRAND TOTALS	
	ODRC 501-501	Capital CAP 003	Oriana House Subsidy	PROGRAM TOTALS	Offender Per Diem	Offender Personal Funds	Telephone Commissions	Other/ Misc.	OFFENDER TOTALS		
<b>Cash Receipts:</b>											
Intergovernmental	\$1,604,108	\$32,175		\$ 1,636,283	\$29,887	\$99,934	\$271	\$450	\$ 130,542	\$ 1,636,283	
Collections from offenders										130,542	
Commissions										265,005	
Subsidy			\$194,350	194,350						194,350	
Total Cash Receipts	1,604,108	32,175	194,350	1,830,633	29,887	99,934	271	265,455	395,547	2,226,180	
<b>Cash Disbursements:</b>											
Personnel	1,140,524		96,236	1,236,760						1,236,760	
Operating costs	374,213		6,161	380,374			844		844	381,218	
Program costs	76,424		28,575	104,999						104,999	
Equipment	314		314	314						314	
Capital project		32,175		32,175						32,175	
Offender Expenses											
Offender legal obligations											
Offender reimbursements					30,197	33,874			33,874	33,874	
Offender payments to CBCF						62,987			93,184	93,184	
Total Cash Disbursements	1,591,475	32,175	130,972	1,754,622	30,197	96,861	844	261,552	261,552	2,144,076	
Disbursements from prior FY (Including refund to ODRC)			63,378	63,378						63,378	
Other Sources (Uses)											
Advance in from Agency	481,000		402,251	883,251						883,251	
Advance (out) to Agency	(481,000)		(27,367)	(508,367)						(508,367)	
Total Receipts Over/(Under) Disbursements	12,633		374,884	387,517	(310)	3,073	(573)	3,903	6,093	393,610	
Fund Cash Balances, July 1, 2003	12,405		27,367	39,772	9,899	1,484		(\$1,669)	9,714	49,486	
Fund Cash Balances, June 30, 2004	\$25,038		\$402,251	\$427,289	\$9,589	\$4,557	(\$573)	\$2,234	\$15,807	\$443,096	
Unpaid Obligations/Open Purchase Orders	\$12,633		\$452,711	\$465,344							

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY  
**NAME OF FACILITY: CROSSWAEH**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
FOR THE PERIOD ENDED \_\_FY 2003**

	State Appropriations and Grants				Offender Funds				GRAND TOTALS	
	ODRC 501-501	Capital CAP 003	Oriana House Subsidy	PROGRAM TOTALS	Offender Per Diem	Offender Personal Funds	Telephone Commissions	Other/ Misc.		OFFENDER TOTALS
<b>Cash Receipts:</b>										
Intergovernmental	\$1,508,056	\$14,850		\$1,522,906	\$33,363	\$95,294		\$272,381	\$ 401,038	\$ 1,522,906
Collections from offenders			\$166,778	166,778						401,038
Subsidy										166,778
Total Cash Receipts	1,508,056	14,850	166,778	1,689,684	33,363	95,294		272,381	401,038	2,090,722
<b>Cash Disbursements:</b>										
Personnel	1,188,501		79,220	1,267,721						1,267,721
Operating costs	248,385		48,241	296,626						296,626
Program costs	70,787		39,317	110,104						110,104
Equipment	383			383						383
Capital project		14,850		14,850						14,850
Offender Expenses										
Offender legal obligations						37,767			37,767	37,767
Offender reimbursements					34,540	62,573		272,898	370,011	370,011
Total Cash Disbursements	1,508,056	14,850	166,778	1,689,684	34,540	100,340		272,898	407,778	2,097,462
Disbursements from prior FY (Including refund to ODRC)	16,545			16,545						16,545
Other Sources (Uses)										
Advance in from Agency	76,000		27,367	103,367						103,367
Advance (out) to Agency	(76,000)			(76,000)						(76,000)
Total Receipts Over/(Under) Disbursements	(16,545)		27,367	10,822	(1,177)	(5,046)		(517)	(6,740)	4,082
Fund Cash Balances, July 1, 2002	28,950			28,950	11,076	6,530		(1,152)	16,454	45,404
Fund Cash Balances, June 30, 2003	\$12,405		\$27,367	\$39,772	\$9,899	\$1,484		(\$1,669)	\$9,714	\$49,486
Unpaid Obligations/Open Purchase Orders										
			\$90,745	\$90,745						

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
 COMMUNITY BASED CORRECTIONAL FACILITY  
**NAME OF FACILITY: CROSSWAEH**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES  
 FOR THE PERIOD ENDED \_\_ FY 2002**

State Appropriations and Grants

<b>Cash Receipts:</b>			
Intergovernmental		ODRC	
		501-501	
	\$1,562,348		
<b>Total Cash Receipts</b>	<b>1,562,348</b>		
<b>Cash Disbursements:</b>			
Personnel	1,233,033		
Operating costs	259,827		
Program costs	52,943		
<b>Total Cash Disbursements</b>	<b>1,545,803</b>		
Disbursements from prior FY (Including refund to ODRC)	39,564		
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(23,019)</b>		
Fund Cash Balances, July 1, 2001	51,969		
Fund Cash Balances, June 30, 2002	28,950		
Unpaid Obligations/Open Purchase Orders	\$ 16,545		

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Description of the Entity

The Seneca County Community Based Correctional Facility (Seneca County CBCF) 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 156 offenders in 2004, 148 offenders in 2003 and 157 offenders in 2002. The Judicial Corrections Board administers the Facility. The Board is comprised of common pleas court judges from the County the Facility serves. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Crawford	Richland	Ottawa
Sandusky	Seneca	Wyandot
Ashland	Erie	Huron

For the year ended June 30, 2002, the accompanying financial statements presents only the activity of the State appropriations received through the Ohio Department of Rehabilitation and Corrections (ODRC). For the year ended June 30, 2004, and 2003 the financial statement presents all funds related to the Facility.

The Judicial Corrections Board has contracted Facility operation responsibilities to Oriana House, Inc., a non profit organization. Oriana House is responsible for essentially all management decisions related to the Facility, subject to the Judicial Correction Board's oversight.

### B. Basis of Accounting

These financial statements follow the basis of accounting prescribed by ODRC, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary expenditures include amounts disbursed through the following September 30 but chargeable against the preceding year's budget.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

### C. Cash

At June 30, 2004, 2003 and 2002, the Facility's cash fund balances were \$443,096, \$49,486 and \$28,950, respectively.

At June 30, 2004, \$427,289 was held in a separate checking account in the Facility's name.

At June 30, 2003, \$39,522 was held in a separate checking account in the Facility's name, and \$250 was held in petty cash and \$0 was held in Oriana House's agency cash pool.

At June 30, 2002, \$28,950 was held in Oriana House's agency cash pool.

The Facility had no interest earnings.

## **D. Fund Accounting**

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

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

### **Other Sources**

Other sources consist of fiscal support provided by the managing nonprofit agency in excess of the costs financed by the 501-501 funding.

### **Offender Funds**

**Offender Per Diem:** Reports receipts from a per diem fee charged to non-indigent offenders for room, board and medical treatment per Ohio Revised Code Section 2301.56 (C).

**Telephone Commissions:** Reports amounts received from telephone commissions generated by calls offenders place to locations outside the Facility. The Facility spends this money for programs and services benefiting the offenders.

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

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

**Other / Miscellaneous:** Vending Machines, Litter pick-up

## **E. 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.

CROSSWAEH Community Based Correction Facility conforms to the purchasing guidelines approved by the Judicial Corrections Board.

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

**F. Property, Plant and Equipment**

The Facility records acquisitions of property, plant and equipment as capital project disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**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 Facility uses.

**2. BUDGETARY ACTIVITY**

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

2004 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$1,604,108	\$1,604,108	

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$1,508,056	\$1,508,056	

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$1,562,348	\$1,562,348	

**3. COLLATERAL ON DEPOSITS AND INVESTMENTS**

**Grants and State Appropriations**

The Facility has Federal Deposit Insurance Corporation (FDIC) coverage for up to \$100,000 of its demand deposit accounts. Excess deposits are uncollateralized.

**Offender Funds**

**Deposits**

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds.

#### 4. REFUND TO ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the years ending June 30, 2004, 2003 and 2002. 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.

Refund to ODRC			
	2004	2003	2002
+ Cash, July 1	\$ 12,405	\$ 28,950	\$ 51,969
+ Fiscal Year Receipts	1,604,108	1,508,056	1,562,348
- Fiscal Year Disbursements	1,591,475	1,508,056	1,545,803
- Disbursements prior fiscal year	-	16,545	39,564
= Cash, June 30	25,038	12,405	28,950
- Cash Retained (1/12 Acct)	12,405	12,405	12,405
Unpaid Obligations	\$ 12,633	\$ -	\$ 16,545
Unpaid Obligations	\$ 12,633	\$ -	\$ 16,545

\$12,405 was set aside in the 1/12 account on September 17, 2004.

#### 5. RETIREMENT SYSTEM

The employees of the Community Based Correctional Facility are not members of the Ohio Public Employee Retirement System. All employees contribute to Social Security.

#### 6. RISK MANAGEMENT

##### Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

#### 7. CONTINGENT LIABILITIES

The Community Based Correctional Facility is not currently a defendant in any lawsuits.

#### 8. RELATED PARTY TRANSACTION

The Facility paid Oriana House Service rentals of \$10,991, \$9,090, and \$10,112 for fiscal years ended June 30, 2004, 2003 and 2002 respectively.



**9. ADVANCES IN FROM/OUT TO AGENCY**

From January 2003, funds were advanced from the managing nonprofit agency to the Facility's checking account on an "as needed" basis, due to delays in receiving quarterly funding from the State or the County. These advances were used to cover payroll, benefits, various expenses and outstanding checks. The amount needed to fund the Facility checking account was determined by daily reconciliation and cash needs analysis on the Facility checking account. When the quarterly funding was received, the advances were repaid.

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**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**

CROSSWAEH Community Based Correctional Facility  
Seneca County  
50 Park Avenue, East  
Mansfield, Ohio 44902

To the Judicial Corrections Board:

We have audited the financial statements of the CROSSWAEH Community Based Correctional Facility, Seneca County, Ohio, (the Facility) as of and for the years ended June 30, 2004, 2003 and 2002, and have issued our report thereon dated May 16, 2005, in which we noted a restriction on our audit scope regarding fund cash balances. We also noted the Facility followed accounting practices the Ohio Department of Rehabilitation and Corrections (ODRC) prescribes rather than accounting principles generally accepted in the United State of America. Except for fund cash balances, 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*.

Our audit for the year ended June 30, 2002 included only State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Facility.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Facility's internal control over financial reporting to determine our auditing procedures in order 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 the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Facility's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2004-002.

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 or 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 reportable conditions that are also considered material weaknesses. We consider the reportable condition 2004-002 listed above to be a material weakness. In a separate letter to the Facility's management dated May 16, 2004, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Facility's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the Facility's management dated May 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of 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

May 16, 2005

**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY  
SENECA COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance**

**Expenditures Not in Accordance with the Grant Agreement**

**Section IV (D)(2) (Expenditures of CBCF Funds) of the FY02 - 03 *Community Based Correctional Facility Grant Manual and Application* and Section II (D)(2) of the FY04 – 05 *Community Based Correctional Facility Grant Manual and Application* and Section II (D)(1)(b) of the FY 04 – 05 *Community Based Correctional Facility Grant Manual and Application* state in pertinent part:** in order for any expenditure to be allowable, it must be approved in the original proposal or the most recently approved budget revision. Further, expenditures obligated prior to the end of the grant period must be paid within 90 days after the close of the grant period.

During our testing, we noted that the following transactions did not appear to be in accordance with the grant agreement.

<b>Description:</b>	<b>Amount</b>
Rental expense in excess of budget for fiscal year 2004 (\$10,991-\$2,304)	\$ 8,687
Rental expense in excess of budget for fiscal year 2003 (\$9,090-\$5,000)	4,090
Rental expense in excess of budget for fiscal year 2002 (\$10,112-\$6,092)	4,020
<b>Total</b>	<u><u>\$16,797</u></u>

The Facility should monitor its budget and should not obligate or disburse money exceeding the approved budget categories.

**FINDING NUMBER 2004-002**

**Material Weakness**

**Financial Reporting and Compilation Practices**

House Bill 510, which the Legislature passed on December 6, 2002 and which took effect on March 31, 2003, requires the Auditor of State (or contracting Independent Public Accountants (IPAs)) to audit Community Based Correctional Facilities. Pursuant to HB 510, the Auditor of State's Office will audit and issue cash-basis reports for each Facility on a biennial basis.

The CROSSWAEH Community Based Correctional Facility (the Facility) is an independent governmental entity, and should be able to readily produce and provide financial statements and other pertinent financial information on its statutorily required bases of accounting (e.g. cash basis) to its Auditor's and/or other interested outside parties.

**FINDING NUMBER 2004-002 (Continued)**

The Facility's financial accounting records are maintained by Oriana House, Inc. a private not-for-profit agency. During our testing of the Facility's annual financial report and its quarterly grant reports which were submitted to the Ohio Department of Rehabilitation and Corrections (ODRC), we noted the financial accounting practices used by Oriana House, Inc. to account for the Facility's transactions were not sufficient for management to produce readily available financial statements for the Facility on the cash basis of accounting ODRC has requested. The accounting system could not produce account summary totals which corresponded to their required financial statement categories requiring the client to manually enter data into an excel spreadsheet to produce its financial statements. During this manual entering process certain account transactions were adjusted or reclassified so that the data would correspond to the required financial statement categories. However, the documentation of these adjustments and reclassifications was insufficient and had to be recreated by management in order for the audit staff to trace the amounts to the general ledger. Further, the general ledger included accruals which had to be reversed in order to produce a report consistent with reporting requirements established by the ODRC. Due to the limitations of the system, it was difficult for management to reconcile accrual from cash basis transactions, and as a result numerous report versions were given during the audit in which expenses differed in both amounts and classifications. Because of the lack of detail for the adjustments, the general ledger could not be easily tied to the financial statements, and though immaterial, the amounts shown on the financial report can not easily be reconciled to the general ledger.

The general ledger included accounts which were excluded from the financial statements as these were apparently not transactions of the Facility. Oriana House, Inc. had to compile the Facility's financial statements and its quarterly ODRC grant reports using a manually prepared "Excel" spreadsheet summarizing the Facility's general ledger activity for each month of the given fiscal year. Due to the method in which this information was entered into this spreadsheet and the limited source documentation maintained for adjustments and reclassifications, Oriana House Inc. could not readily support the information presented on the financial statements or that quarterly reports agreed to its detailed general ledger. Management had to create additional documentation at the request of the Auditors to show how the financial statements corresponded to the general ledger. Due to these transactions, lack of documentation, and unknown adjustments, Oriana house was not able to easily reconcile the general ledger to the financial report.

The accounting system utilized by the Facility should allow financial statements and quarterly reports to be produced directly from their general ledger on the statutorily required (cash) basis of accounting. If additional spreadsheets or documentation is necessary to compile the financial statements or quarterly reports, precise and detailed documentation of each general ledger account total, adjustments, and/or reclassifications entered into this spreadsheet must be maintained. Further, it must be maintained in such a format that it can be easily accessed and reviewed by any interested party upon request. In addition, the Facility should be reconciling on a monthly basis its Facility checking account and investment account(s) (if applicable) to the unexpended grant balance reported to the ODRC. These bank reconciliations along with monthly financial activity reports should be reviewed by management for accuracy and presented to the Judicial Corrections Board for their review as well. The Facility should consider seeking permission of the Ohio Department of Rehabilitation and Corrections to report on an accrual basis of accounting instead of the cash basis of accounting.



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**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY  
SENECA 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  
AUGUST 9, 2005**