



Dave Yost • Auditor of State

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

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Dave Yost • Auditor of State

Mahoning County Community Based Correctional Facility
Mahoning County
Community Corrections Association, Inc.
1507 Market Street
Youngstown, Ohio 44507

To the Members of the Judicial Advisory Board and Facility Governing 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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While the Ohio Department of Rehabilitations and Corrections (ODRC) does not 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 adverse 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 ODRC prescribes or permits.

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Dave Yost
Auditor of State

July 25, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mahoning County Community Based Correctional Facility
Mahoning County
Community Corrections Association, Inc.
1507 Market Street
Youngstown, Ohio 44507

To the Members of the Judicial Advisory Board and Facility Governing Board:

We have audited the accompanying financial statements of the Mahoning County Community Based Correctional Facility (the Facility) as of and for the years ended June 30, 2010 and 2009. 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.

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 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 prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Facility's larger (i.e. major) funds separately. 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 presentation requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Facility uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2010 and 2009 or its 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 Mahoning County Community Based Correctional Facility, Mahoning County, as of June 30, 2010 and 2009, and its related cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 25, 2011, 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. 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 25, 2011

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	State Appropriations and Grants		Offender Funds			Totals
	ODRC 501-501	Federal	Offender Personal Funds	Telephone Commission	Other/ Misc.	
Cash Receipts:						
Intergovernmental	\$ 2,174,470	\$ 9,614	\$ -	\$ -	\$ -	\$ 2,184,084
Collections & Receipts from offenders	-	-	112,179	-	-	112,179
Commissions	-	-	-	8,651	9,785	18,436
Reimbursement	-	19,208	-	-	-	19,208
Total Cash Receipts	2,174,470	28,822	112,179	8,651	9,785	2,333,907
Cash Disbursements:						
Current:						
Personnel	1,629,668	28,347	-	-	-	1,658,015
Operating Expenses	444,056	-	-	8,651	3,043	455,750
Program Expenses	37,618	-	-	-	6,742	44,360
Equipment	65,979	-	-	-	-	65,979
Offender Disbursements:						
Offender legal obligations	-	-	3,770	-	-	3,770
Offender reimbursements	-	-	482	-	-	482
Offender approved withdrawals	-	-	45,742	-	-	45,742
Offender savings paid at exit	-	-	61,924	-	-	61,924
Total Cash Disbursements	2,177,321	28,347	111,918	8,651	9,785	2,336,022
Total Receipts Over/(Under) Disbursements	(2,851)	475	261	-	-	(2,115)
Other Financing Sources/(Uses)	2,851	(475)	-	-	-	2,376
Fund Cash Balances, July 1, 2009	-	-	8,460	-	-	8,460
Fund Cash Balances, June 30, 2010	\$ -	\$ -	\$ 8,721	\$ -	\$ -	\$ 8,721

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

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	State Appropriations and Grants		Offender Funds			Totals
	ODRC 501-501	Federal	Offender Personal Funds	Telephone Commission	Other/ Misc.	
Cash Receipts:						
Intergovernmental	\$ 2,122,470	\$ 39,241	\$ -	\$ -	\$ -	\$ 2,161,711
Collections & Receipts from offenders	-	-	93,835	-	-	93,835
Commissions	-	-	-	9,408	9,481	18,889
Total Cash Receipts	2,122,470	39,241	93,835	9,408	9,481	2,274,435
Cash Disbursements:						
Current:						
Personnel	1,622,163	32,401	-	-	-	1,654,564
Operating Expenses	456,423	5,504	-	9,408	2,847	474,182
Program Expenses	35,160	-	-	-	6,634	41,794
Equipment	9,686	-	-	-	-	9,686
Offender Disbursements:						
Offender legal obligations	-	-	3,235	-	-	3,235
Offender reimbursements	-	-	648	-	-	648
Offender approved withdrawals	-	-	41,770	-	-	41,770
Offender savings paid at exit	-	-	45,986	-	-	45,986
Total Cash Disbursements	2,123,432	37,905	91,639	9,408	9,481	2,271,865
Total Receipts Over/(Under) Disbursements	(962)	1,336	2,196	-	-	2,570
Other Financing Sources/(Uses)	962	(1,336)	-	-	-	(374)
Fund Cash Balances, July 1, 2008	-	-	6,264	-	-	6,264
Fund Cash Balances, June 30, 2009	\$ -	\$ -	\$ 8,460	\$ -	\$ -	\$ 8,460

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

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mahoning County Community Based Correctional Facility (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately seventy offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the County 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 Facilities Governing Board regarding Facility matters. The Facility serves Mahoning County.

For the year ended June 30, 2010 and 2009, the financial statement presents all funds related to the Facility.

The Facilities Governing Board has contracted Facility operations to the Community Corrections Association, Inc. (CCA, Inc.), a non-profit organization. CCA is responsible for essentially all management decisions related to the Facility, subject to the Facility Governing Board's oversight.

B. Basis of Accounting

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

These statements adequately disclose material matters the Ohio Department of Rehabilitation and Corrections requires.

C. Deposits

CCA, Inc. is the custodian of the Facility's grant funds and State appropriations. CCA, Inc. holds these Facility assets in a regular checking account. The Facility holds offenders' cash in demand deposit accounts.

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.

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ABLE Grant - These monies are received from the federal government for education and training of the Facility's residents.

Offender Funds

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.

Other/Miscellaneous:

Vending Commissions – Amounts received as commissions from vending machines located in the Facility residence halls. The Facility spends this money for programs and services benefiting the offenders.

E. Budgetary Process

1. 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.

2. Encumbrances

The budgetary disbursement amounts reported in Note 2 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.

A summary of 2010 and 2009 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Facility records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these acquisitions as assets.

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Commission uses.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2010 and 2009 follows:

<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$2,174,470</u>	<u>\$2,174,470</u>	

<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$2,122,470</u>	<u>\$2,122,470</u>	

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

CCA, Inc. is responsible for collateralizing deposits and investments for grants and State appropriations it holds as custodian for the Facility.

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2010 and 2009.

4. REFUND TO ODRC

The agreement between CCA, Inc. 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. Since the Facility spent the entire grant award, there was no requirement for a refund.

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

5. RETIREMENT SYSTEMS

The Facility's employees pay social security tax on wages earned. This plan provides retirement benefits, including post retirement healthcare (Medicare), and survivor and disability benefits to participants as prescribed by the Federal Laws and Regulations.

Tax rates are also prescribed by Federal Laws and Regulations. For 2010 and 2009 the tax rate was 7.65%. The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion is 6.20% on earnings up to the applicable taxable maximum amount. The Medicare portion is 1.45% on all earnings.

6. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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



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

Mahoning County Community Based Correctional Facility
Mahoning County
Community Corrections Association, Inc.
1507 Market Street
Youngstown, Ohio 44507

To the Judicial Advisory Board and Facility Governing Board:

We have audited the financial statements of Mahoning County Community Based Correctional Facility, Mahoning County, (the Facility) as of and for the years ended June 30, 2010 and June 30, 2009, and have issued our report thereon dated July 25, 2011. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Facility's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Facility's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted a certain matter not requiring inclusion in this report that we reported to the Facility's management in a separate letter dated July 25, 2011.

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

We intend this report solely for the information and use of management, the audit committee, the Judicial Advisory Board, the Facility Governing Board, and the Ohio Department of Rehabilitation and Corrections. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 25, 2011

**MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

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

FINDING NUMBER 2010-01

Noncompliance

Section II D 3.a.2 of the Community-Based Correctional Facility Grant Manual and Applications requires that all employees or positions must be approved in the 501 program proposal.

During our audit we tested 70 payroll disbursements for fiscal years 2009 and 2010. We noted that while total payroll expenditures were consistent with budgeted amounts, 13 (19%) employees were paid with CBCF funding, but were not included on the Salary and Wages Listings (which is included in the 501 program budget and the budget revisions) submitted to the Ohio Department of Rehabilitation and Corrections (ODRC). Inaccurate reporting and/or accounting to ODRC could result in loss of future funding from this agency or the Mahoning County Community Based Correctional Facility (Facility) being required to pay monies back to the ODRC.

We recommend the Facility send an updated Salaries and Wages report with each of their Quarterly Financial Reports indicating which employees are being funded by the Facility. These Quarterly Reports should also be reviewed and approved by the Facility Governing Board at each of the board meetings. In addition, the Facility should revise the job descriptions for the Facility employees to include a more detailed description of their Facility duties if the employee has a 75%-25% or 50% -50% salary split between the Facility and the Community Corrections Association (CCA).

Officials' Response:

Per the noncompliance number 2010-01, this will affirm that we have revised the budget and it was approved by the ODRC and the Facility Governing Board. This includes reflecting on our organizational chart all prorated staff with the percentage applied to the grant.

In addition, per the Auditor's recommendation, we will submit on a quarterly basis the staff roster to ODRC and the Facility Governing Board.

We appreciate the guidance of the State Auditor's office on this matter.

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MAHONING COUNTY COMMUNITY BASED CORRECTIONAL FACILITY

MAHONING 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
SEPTEMBER 6, 2011**