



**MULTI-COUNTY CORRECTIONAL CENTER
MARION COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2015



Dave Yost • Auditor of State

**MULTI-COUNTY CORRECTIONAL CENTER
MARION COUNTY
DECEMBER 31, 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Multi-County Correctional Center
Marion County
1514 Victory Road
Marion, Ohio 43302

To the Corrections Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Multi-County Correctional Center, Marion County, (the Correctional Center) as of and for the year ended December 31, 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 Correctional Center'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 Correctional Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1B of the financial statements, the Correctional Center prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Correctional Center 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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial 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 Correctional Center as of December 31, 2015, or changes in financial position thereof for the year then ended.

Basis for Additional Opinion Qualification

The Correctional Center has outsourced commissary receipt processing to a third-party administrator. The financial statements report commissary receipts as Other Financing Sources in the Agency Fund. The third-party administrator did not provide us with information we requested regarding the design of proper operation of its internal controls. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of commissary receipts. These receipts represent 55% of Other Financing Sources reported within the Agency Fund. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

Additional Opinion Modification

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly in all material respects, the combined cash balances of Multi-County Correctional Center, Marion County, Ohio as of December 31, 2015 and its combined cash receipts and cash disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2017, on our consideration of the Correctional 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. 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 Correctional Center's internal control over financial reporting and compliance.

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
Columbus, Ohio

August 24, 2017

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Multi-County Correctional Center
Marion County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015*

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$ 268,241	\$ -	\$ 268,241
Intergovernmental	3,494,782		3,494,782
Miscellaneous	13,250		13,250
<i>Total Cash Receipts</i>	<u>3,776,273</u>	<u>-</u>	<u>3,776,273</u>
Cash Disbursements			
Current:			
Salaries	2,082,822		2,082,822
PERS	289,655		289,655
SS/Medicare	28,391		28,391
Workers Comp	59,611		59,611
OBES	926		926
Health Insurance	564,075		564,075
Maintenance Supplies	10,875		10,875
Maintenance General	5,116		5,116
Office Supplies	8,661		8,661
Postage	2,374		2,374
Equipment	14,943	41,435	56,378
Contract Repair	14,969		14,969
Contract Services	197,831	17,220	215,051
Travel	479		479
Advertising and Printing	2,297		2,297
Other Expenses	7,919		7,919
Training	2,609		2,609
Medical Supplied	12,861		12,861
Medical Contract Service	87,221		87,221
Utilities	180,972		180,972
Food	238,887		238,887
Vehicle Maintenance	2,217		2,217
Vehicle Supplies	9,590		9,590
Inmate Phone Calls	5,102		5,102
<i>Total Cash Disbursements</i>	<u>3,830,403</u>	<u>58,655</u>	<u>3,889,058</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,130)</u>	<u>(58,655)</u>	<u>(112,785)</u>
Other Financing Receipts (Disbursements)			
Transfers In		113,112	113,112
Transfers Out	(113,112)		(113,112)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(113,112)</u>	<u>113,112</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(167,242)</u>	<u>54,457</u>	<u>(112,785)</u>
<i>Fund Cash Balances, January 1</i>	<u>580,207</u>	<u>71,858</u>	<u>652,065</u>
Fund Cash Balances, December 31			
Assigned	221,860	126,315	348,175
Unassigned (Deficit)	191,105		191,105
<i>Fund Cash Balances, December 31</i>	<u>\$ 412,965</u>	<u>\$ 126,315</u>	<u>\$ 539,280</u>

See accompanying notes to the basic financial statements

Multi-County Correctional Center
Marion County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2015*

	<u>Fiduciary Fund</u>
	<u>Agency</u>
Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$ 382,628
Other Financing Uses	<u>(367,642)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>14,986</u>
<i>Net Change in Fund Cash Balances</i>	14,986
<i>Fund Cash Balances, January 1</i>	<u>28,754</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 43,740</u></u>

See accompanying notes to the basic financial statements

MULTI COUNTY CORRECTIONAL CENTER
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Multi County Correctional Center (the Correctional Center) is a public entity organized December 31, 1996 under Section 307.93 of the Ohio Revised Code for the purpose of establishing a multi county correctional center, constructing that center, overseeing its operations and administration and promoting other cooperative programs relating to the Center.

The members of the Commission include Marion and Hardin counties. The intergovernmental receipts in the accompanying financial statements were received from the members for the purpose stated above.

The Center's management believes these financial statements present all activities for which the Correctional Center is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, 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 presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

The Correctional Center uses fund accounting to segregate cash and investments that are restricted as to use. The Correctional Center classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

This fund is used to account for receipts and transfers that are restricted for the acquisition or improvement of capital projects or major equipment.

MULTI COUNTY CORRECTIONAL CENTER
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Agency Funds

The Correctional Center is acting in an agency capacity for these funds. The Correctional Center has the following significant Agency Funds:

Commissary and Inmate Trust Funds - These funds receive monies from the inmates at the time of incarceration or from family and friends of the inmates. These monies can be expended by the inmate toward incidentals and toiletries and to pay fees and charges when a convicted inmate is released.

Bond Fund - This fund receives monies from the inmates at the time of entry into the Correction Center. These monies are then remitted to the Municipal Court.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Commissioners can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

MULTI COUNTY CORRECTIONAL CENTER
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Commissioners or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1.

2. EQUITY IN POOLED DEPOSITS

The Correctional Center's deposits attributable to the governmental funds are maintained by Marion County, its statutory fiscal agent. The Ohio Revised Code prescribes allowable deposits and the County is responsible for compliance. As of December 31, 2015, the Correctional Center's share of the County's deposit pool was \$539,280. All risk associated with such deposits are the responsibility of Marion County. The Correctional Center maintains a commissary, inmate trust and bond account that are not reflected on the fiscal agent's books. The carrying amount of these deposits as of December 31, 2015 was \$43,740. This money is federally insured under the FDIC.

MULTI COUNTY CORRECTIONAL CENTER
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. FUNDING

Annually the Correctional Center estimates costs for the next fiscal year. Such estimates are considered by the Members and are then modified or accepted by the Members. Each Member thereafter remits its share of the costs to the Correctional Center in the amount and at the time directed by the fiscal agent. If the aggregate of the Member's contributions for the estimated costs for a fiscal year are insufficient to pay the Correctional Center's expenses, then the fiscal agent shall assess each Member its proportional share of the additional cost.

4. RETIREMENT SYSTEMS

The Correctional Center's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 10% of their earnable salaries. The Correctional Center contributed an amount equal to 14% of participants' earnable salaries in 2015. The Correctional Center has paid all contributions required through December 31, 2015.

5. RISK MANAGEMENT

The Correctional Center had the following insurance coverage purchased through The County Risk Sharing Authority: General Liability, Automobile Liability, Law Enforcement Liability, Public Officials Liability, Faithful Performance Bond, and Money & Securities all for \$1,000,000 individually and an Umbrella for \$5,000,000.



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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*

Multi-County Correctional Center
Marion County
1514 Victory Road
Marion, Ohio 43302

To the Corrections Commission:

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 Multi-County Correctional Center, Marion County, (the Correctional Center) as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated August 24, 2017, wherein we noted the Correctional Center followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on Agency fund receipts because we were unable to obtain sufficient appropriate audit evidence about the proper processing of commissary receipts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Correctional Center'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 Correctional Center'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 Correctional Center'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 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Correctional 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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 Correctional Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Correctional Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 24, 2017

**MULTI-COUNTY CORRECTIONAL CENTER
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Service Organization SOC 1 Report – Material Weakness

The Correctional Center has outsourced inmate commissary receipt collection, which is a significant accounting function, to a third-party administrator. The Correctional Center has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that commissary receipts have not been authorized or completely and accurately processed in accordance with their commissary receipt procedures. We recommend the Correctional Center help assure the completeness and accuracy of commissary receipts processed by its third-party administrator. Statement of Standards Attestation Engagements No. 16 *Reporting on Controls at a Service Organization* (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the Correctional Center with reasonable assurance that commissary receipts conform to the procedures.

The audit opinion of the year ended December 31, 2015 financial statements has been qualified since appropriate audit evidence about the proper processing of commissary receipts could not be obtained.

We recommend the Correctional Center require a Type Two SOC 1 report in its contract with the third-party administrator. The Correctional Center should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Correctional Center with a Type Two SOC 1 report, we recommend the Correctional Center contract with a third-party administrator that will provide this report.

Officials' Response

**MULTI-COUNTY CORRECTIONAL CENTER
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002

Financial Reporting—Material Weakness

Sound financial reporting is the responsibility of the Correctional Center's management and Commission and is essential to ensure the information provided to the readers of the financial statements is complete, accurate, and in accordance with GAAP/GASB standards. A monitoring system by management should be in place to prevent or detect material misstatements for the accurate presentation of the Correctional Center's financial statements.

The following adjustment and reclassifications, which were material to the Correctional Center's December 31, 2015 financial statements, were made to the financial statements:

- Adjustment of \$411,382 to bring on Agency fund activity, including \$28,752 in beginning fund balance, \$382,628 in Other Financing Sources, \$367,642 in Other Financing Uses and \$43,740 in Cash.
- Reclassification of \$753,039 in Hardin County receipts, \$2,726,943 in Marion County receipts and \$14,800 in Social Security receipts to Intergovernmental receipts to be consistent with proper receipt classifications.
- Reclassification of \$113,198 in Telephone receipts, \$2,515 in Employee Meal Reimbursements, \$68,885 in medical Co-pay reimbursements, \$49,331 in Pay for Stay receipts, \$788 in Inmate copay, \$21,242 in Contract Bed Rental, \$12,282 in Inmate Phone Calls to Charges for Services to be consistent with proper receipt classifications.
- Reclassification of \$221,860 in ending fund balance from unassigned to assigned due to subsequent year appropriations exceeding estimated receipts.

By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

We recommend the Correctional Center implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Correctional Center's report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions. Furthermore, the adjusted differences listed above should be reviewed by the Fiscal Officer and Commission to ensure that similar errors are not reported in the financial statements and notes in subsequent years.

Officials' Response



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MULTI- COUNTY CORRECTIONAL CENTER

MARION 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 3, 2017**