



Dave Yost • Auditor of State

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY
JUNE 30, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

SEPTA Correctional Facility
Athens County
7 West Twenty-Nine Drive
Nelsonville, Ohio 45764

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and the related notes of the SEPTA Correctional Facility, Athens County, Ohio (the Facility), as of and for the years ended June 30, 2016 and 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 the Ohio Department of Rehabilitation and Corrections permits; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

Though the Facility does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Rehabilitation and Corrections 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 Facility as of June 30, 2016 and 2015, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the SEPTA Correctional Facility, Athens County, Ohio, as of June 30, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 1.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Facility made payments from the Program Fund that should have been paid from the ODRC fund in fiscal year 2014; the facility posted Federal Fund receipts for fiscal year 2015 in the fiscal year 2014. The July 1, 2014 fund cash balances of the ODRC, Program and Federal Funds have been restated to report the reclassifications. We did not modify our opinion with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017, on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Facility's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2017

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
SEPTA CORRECTIONAL FACILITY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - CASH BASIS (ALL FUNDS)
FOR THE YEAR ENDED JUNE 30, 2016**

	State Appropriations and Grants		Offender Funds		Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds		
Cash Receipts:						
Intergovernmental	\$2,716,009	\$0	\$0	\$0	\$0	\$2,716,009
Receipts for offenders	0	0	0	341,480	0	341,480
Collections from offenders						
for Reimbursement	0	0	25,327	0	0	25,327
for Work Release	0	0	25,447	0	0	25,447
for Commissary Reimbursement	0	0	25,239	0	0	25,239
for Per Diem	0	0	36,849	0	0	36,849
Commissions	0	0	22,102	0	0	22,102
Miscellaneous Revenue	395	0	4,520	0	0	4,915
Total Cash Receipts	2,716,404	0	139,484	341,480	0	3,197,368
Cash Disbursements:						
Personnel	1,802,856	0	0	0	0	1,802,856
Operating costs	724,707	0	44,083	0	0	768,790
Program costs	143,565	0	64,358	0	0	207,923
Equipment	43,236	0	5,783	0	0	49,019
Reimbursements to employees	0	0	0	0	0	0
Bank Charges	0	0	0	455	0	455
Offender Disbursements:						
Offender legal obligations	0	0	0	88,069	0	88,069
Offender payments to ODRC:						
for Work Release	0	0	0	25,448	0	25,448
for Per Diem	0	0	0	36,849	0	36,849
for Commissary/Personal Care	0	0	0	85,340	0	85,340
for Nurse	0	0	0	1,620	0	1,620
for Physician	0	0	0	1,825	0	1,825
for Sales Commissions	0	0	0	9,251	0	9,251
Offender Miscellaneous Payments	0	0	0	22,200	0	22,200
Offender savings paid at exit	0	0	0	69,166	0	69,166
Total Cash Disbursements	2,714,364	0	114,224	340,223	0	3,168,811
Non-Operating Receipts/Disbursements						
Indigent Support	0	0	(22,166)	22,166	0	0
Disbursements from prior FY (Including refund to ODRC)	195,560	0	0	0	0	195,560
Total Receipts Over/(Under) Disbursements	(193,520)	0	3,094	23,423	0	(167,003)
Fund Cash Balances, July 1, 2015	376,275	11,583	183,142	5,003	2,920	578,923
Fund Cash Balances, June 30, 2016	<u>\$182,755</u>	<u>\$11,583</u>	<u>\$186,236</u>	<u>\$28,426</u>	<u>\$2,920</u>	<u>\$411,920</u>
Unpaid Obligations/Open Purchase Orders	<u>\$0</u>					

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
SEPTA CORRECTIONAL FACILITY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - CASH BASIS (ALL FUNDS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>		Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds		
Cash Receipts:						
Intergovernmental	\$2,601,593	\$14,840	\$0	\$0	\$0	\$2,616,433
Receipts for offenders	0	0	0	378,735	0	378,735
Collections from offenders	0	0	0	0	0	
for Reimbursement	0	0	44,204	0	0	44,204
for Work Release	0	0	29,956	0	0	29,956
for Commissary Reimbursement	0	0	18,344	0	0	18,344
for Per Diem	0	0	30,574	0	0	30,574
Commissions	0	0	22,781	0	0	22,781
Miscellaneous Revenue	2,683	0	1,687	0	0	4,370
Total Cash Receipts	<u>2,604,276</u>	<u>14,840</u>	<u>147,546</u>	<u>378,735</u>	<u>0</u>	<u>3,145,397</u>
Cash Disbursements:						
Personnel	1,594,076	0	0	0	0	1,594,076
Operating costs	735,653	670	14,085	0	0	750,408
Program costs	229,559	0	67,377	0	0	296,936
Equipment	56,360	3,460	36,099	0	0	95,919
Reimbursements to employees	0	0	0	0	120	120
Bank Charges	0	0	0	10	0	10
Offender Disbursements:						
Offender legal obligations	0	0	0	104,548	0	104,548
Offender payments to ODRC:						
for Work Release	0	0	0	29,956	0	29,956
for Per Diem	0	0	0	30,574	0	30,574
for Commissary/Personal Care	0	0	0	108,204	0	108,204
for Nurse	0	0	0	740	0	740
for Physician	0	0	0	1,950	0	1,950
for Sales Commissions	0	0	0	9,095	0	9,095
Offender Miscellaneous Payments	0	0	0	42,561	0	42,561
Offender savings paid at exit	0	0	0	83,824	0	83,824
Total Cash Disbursements	<u>2,615,648</u>	<u>4,130</u>	<u>117,561</u>	<u>411,462</u>	<u>120</u>	<u>3,148,921</u>
Non-Operating Receipts/Disbursements						
Indigent Support	0	0	(21,580)	21,580	0	0
Disbursements from prior FY (Including refund to ODRC)	20,732	0	0	0	0	20,732
Total Receipts Over/(Under) Disbursements	<u>(32,104)</u>	<u>10,710</u>	<u>8,405</u>	<u>(11,147)</u>	<u>(120)</u>	<u>(24,256)</u>
Fund Cash Balances, July 1, 2014, as restated	408,379	873	174,737	16,150	3,040	603,179
Fund Cash Balances, June 30, 2015	<u>\$376,275</u>	<u>\$11,583</u>	<u>\$183,142</u>	<u>\$5,003</u>	<u>\$2,920</u>	<u>\$578,923</u>
Unpaid Obligations/Open Purchase Orders	<u>\$20,732</u>					

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

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The SEPTA Correctional Facility, Athens County (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 78 offenders as of June 30, 2016. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from Athens, Meigs, Morgan, Perry, Vinton and Washington Counties. The Facility serves the following counties:

Athens	Hocking	Meigs
Morgan	Perry	Vinton
Washington	Jackson	Gallia
Fairfield	Licking	Muskingum

For the years ended June 30, 2016 and 2015, the financial statements present all funds related to the Facility.

B. Accounting Basis

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

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

C. Deposits and Investments

Hocking College, Athens County, is the custodian of the Facility's grant funds and State appropriations. The College holds these Facility assets in the College's deposit and investment pool, valued at the College's reported carrying amount. 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.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Offender Funds

Resident Program Fund: These funds reported receipts from commissions on telephone systems, transportation costs, reimbursable costs such as per diem and medical services, and similar services.

Resident Trust Fund: Reports 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 Funds

Section 125 Benefit Plan Fund: Reports receipts and disbursements related to employee withholdings and submittals for reimbursement for a Section 125 health care program. Pre-tax dollars are withheld and deposited in the fund. Eligible health care expenses are approved by AFLAC and authorized for disbursement. The Facility issues payment for approved expenses.

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

Disbursements from State appropriations and Grants are subject to Hocking College's payment approval process. The Vice-President of Fiscal Operations at the College must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. 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. (See Note 5)

A summary of 2016 and 2015 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.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2016 and 2015 follows:

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,716,009	\$2,714,364	\$1,645
2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,569,009	\$2,489,788	\$79,221

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

Hocking College is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds.

4. RETIREMENT SYSTEM

The Facility's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10 percent of their gross salaries and the Facility contributed an amount equaling 14, respectively, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2016.

5. REFUND TO ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the 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 Facility refunds amounts computed below in the fiscal year following the computation below.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)**

5. REFUND TO ODRC (Continued)

Refund to ODRC		
	2016	2015
Cash, July 1	\$376,274	\$440,970
Disbursements Against Prior Year Budget	0	(20,732)
Payable to ODRC, July 1	(196,062)	(196,062)
Sub-Total	180,212	224,176
501 Cash Receipts	2,716,009	2,569,009
Budgetary Basis Disbursements	(2,713,969)	(2,612,966)
Amount Subject to Refund, June 30	182,252	180,219
One-Twelfth of 501 Award	(226,334)	(214,084)
Refundable to ODRC	(\$44,082)	(\$33,865)

Calculation of Payable to ODRC		
	2016	2015
Payable, July 1	\$196,062	\$196,062
Cash Refunded	(195,560)	0
Payable, June 30	\$502	\$196,062

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. RESTATEMENT OF BEGINNING BALANCES

The facility made payments from the Program Fund that should have been paid from the ODRC fund in fiscal year 2014; the facility posted Federal Fund receipts for fiscal year 2015 in the fiscal year 2014. As a result, the July 1, 2014 balance was restated as follows:

	June 30, 2014 Unadjusted Balance	Increase/ (Decrease)	July 1, 2014 Restated Balance
ODRC Fund	\$409,484	(\$1,105)	\$408,379
Program Fund	173,632	1,105	174,737
Federal Fund	15,713	(14,840)	873

8. SUBSEQUENT EVENTS

Effective June 30, 2016, the facility terminated its fiscal agent services agreement with Hocking College concerning the ODRC and Federal Funds. Effective July 1, 2016, the facility entered into a fiscal agent services agreement with Athens County, Ohio concerning the ODRC and Federal Funds.



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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

SEPTA Correctional Facility
Athens County
7 West Twenty-Nine Drive
Nelsonville, Ohio 45764

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the SEPTA Correctional Facility, Athens County, Ohio (the Facility), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2017, wherein we noted the Facility uses a special purpose framework other than generally accepted accounting principles and, wherein we noted the July 1, 2014 fund cash balances of the ODRC, Program and Federal Funds have been restated to report the reclassifications of 2014 expenditures.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-003 and 2016-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Facility's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-002.

Entity's Response to Findings

The Facility's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Facility's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2017

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015

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

FINDING NUMBER 2016-001

Noncompliance

Community-Based Correctional Facility (CBCF) Grant Manual and Application, § II.A, provides that the Quarterly Financial Reports must be filed with the Bureau of Community Sanctions and the Auditor of State to account for grant expenditures. § II.F.3.b. requires the CBCF to submit quarterly financial reports within 15 days following the end of the quarter. The Ohio Department of Rehabilitation and Correction (ODRC) has deemed this deadline unrealistic and allows the Correctional Facility up to 30 days to submit the report. A final year-end financial report must be submitted by September 30th following the fiscal year using the Year-End Reconciliation column in the Cash Flow Section of the Final Report. These reports are due no later than October 10 of the following fiscal year and must be submitted to the Bureau of Community Sanctions Business Office.

Contrary to the requirement, the Facility did not submit two fiscal year 2015 quarterly reports by the required date. The Operations Manager filed the second, and fourth quarterly reports 11, and 102 days past due, respectively. Additionally, the Operations Manager failed to submit the 2015 final report by the required date, 166 days past due.

The Facility should submit all reports by the required date.

Official's Response: No FY16 quarterly reports were late. This finding/issue has been resolved.

FINDING NUMBER 2016-002

Noncompliance

The Community-Based Correctional Facility Grant Manual and Application, § II.D.3.d (5) provides that proper inventory schedules be maintained for all equipment items purchased with grant funds. Inventories must include the following information for all equipment: quantity, description, serial number, identification number, purchase price, date of acquisition, funds used to purchase, vendor, condition, and location. Inventory schedules must be submitted with the application.

The Facility did not submit these inventory schedules with the applications as required.

The Facility's management should track and include all equipment in the inventory schedules and submit an accurate and complete listing with the ODRC.

Official's Response: The agency will ensure inventory schedules are submitted with the annual grant application as required.

FINDING NUMBER 2016-003

Material Weakness

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-003 (Continued)

Material Weakness – Inaccurate Beginning Balances (Continued)

- Reliability of financial reporting;
- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that management properly authorizes all transactions in accordance with their policies.
- Ensure that management has properly designed accounting records.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Grant Manual Section II, G.1 provides that Community-Based Correctional Facilities must maintain accurate and legible accounting records to prepare financial reports.

The Facility printed reconciliations for the Program fund and the Trust fund from the QuickBooks system. However, the reports did not reflect prior audit adjustments and were, therefore, not accurate. This resulted in a cumbersome reconciliation process. The reports were not presented to the Director or the Board for review. This could lead to errors going undetected for extended periods of time.

The Facility should perform complete and accurate bank reconciliations monthly. Additionally, we recommend reconciliations be reviewed monthly by the Executive Director and by the Board at their semi-annual meetings.

Official's Response: The agency continues to complete monthly reconciliations of all accounts to verify accuracy of internal records with our financial institutions. Adjustments that were requested by the Auditor of State have been completed.

FINDING NUMBER 2016-004

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following posting errors were noted for fiscal year ended June 30, 2015:

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-004 (Continued)

Material Weakness – Material Mispostings (Continued)

ODRC Fund:

- The facility presented expenses on the Annual Financial Report inconsistently from fiscal agent provided documentation. This resulted in a decrease in Personnel in the amount of \$136,054, a decrease in Operating Costs in the amount of \$127,774, an increase in Program Costs in the amount of \$7,764, and an increase in Equipment in the amount of \$56,361 to reflect the expenses posted in the Hocking College (fiscal agent) reports.

Federal Fund:

- The Facility posted expenditure in the wrong period. This resulted in an increase in Operating Cost and Equipment of \$670 and \$3,460, respectively.
- The Facility posted an Intergovernmental Receipt in the wrong period. This resulted in an increase in Intergovernmental receipts of \$14,840.
- The Facility reported an incorrect beginning balance on the Annual Financial Report resulting in an increase in Fund Cash Balances, July 1 of \$873.

Program Fund:

- The amounts presented on the Annual Financial Report did not agree to the underlying system which resulted in an increase to Reimbursement receipts of \$2,675, a decrease in Commissary in the amount of \$82,345, an increase in Commissions in the amount of \$11,005, an increase in Miscellaneous revenue in the amount of \$84, a decrease in Operating Costs of \$10,769 an increase in Program Costs of \$10,365 and an increase in Fund Cash Balances, July 1 of \$173,632.
- The facility failed to post activity to the Section 125 Benefit Plan Fund relating to bank charges resulting in an increase in Bank Charges of \$120.

The following posting errors were noted for fiscal year ended June 30, 2016:

Program Fund:

- The amounts presented on the Annual Financial Report did not agree to the underlying system resulting in an increase to Reimbursement receipts of \$3,127, a decreases in Commissary of \$58,821, in Commissions of \$3,059 and in Miscellaneous revenue of \$88,707.

The following represents the cumulative effect of the adjustments listed above, in addition to immaterial adjustments the facility opted to post, on the respective fund cash balances as of June 30, 2016:

Fund	Unadjusted 6/30/16 Fund Balance	Audit Adjustment	Adjusted 6/30/16 Fund Balance
ODRC 501-501	\$208,527	(\$25,773)	\$182,754
Federal	0	11,584	11,584
Resident Program Funds	249,319	(63,082)	186,237
Resident Trust Funds	20,707	7,720	28,427
Section 125 Benefit Plan	3,041	(120)	2,921

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-004 (Continued)

Material Weakness – Material Mispostings (Continued)

These misstatements were caused by confusion over proper classifications, reconciling issues, and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Facility's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Operations Manager should take additional care in posting transactions to the Facility's ledgers and in compiling the financial statements in order to ensure the financial statements reflect the appropriate receipts, expenditures, and fund balances.

Official's Response: Adjustments that were requested by the Auditor of State have been completed. The federal funds have been discontinued. The agency continues to complete monthly reconciliations of all accounts to verify accuracy of its internal records with the facility financial institutions. The program fund and trust fund reconciliations and statements continue to be finalized on a monthly basis which will minimize further confusion in categorization.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Noncompliance relating to CBCF Grant Manual and Application § II A for not submitting the quarterly reports timely.	No	Not Corrected. Repeated as Finding 2016-001.
2014-002	Noncompliance and Significant Deficiency relating to CBCF Grant Manual and Application § II F.3.c (1) for not maintaining monthly balances for the ODRC and Federal Funds.	Yes	
2014-003	Noncompliance and Material Weakness relating to CBCF Grant Manual and Application § II G for not incorrectly calculating the balance and refund due the ODRC.	Yes	
2014-004	Noncompliance and Significant Deficiency relating to CBCF Grant Manual and Application § II D.3.d for purchasing equipment without obtaining approval of a revised program proposal	Yes	
2014-005	Material Weakness for failure to reconcile the system to the bank.	No	Not Corrected. Repeated as Finding 2016-003.
2014-006	Material Weakness for significant misposting requiring financial statement adjustment.	No	Not Corrected. Repeated as Finding 2016-004

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Dave Yost • Auditor of State

SEPTA CORRECTIONAL FACILITY

ATHENS 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
FEBRUARY 2, 2017**