



Dave Yost • Auditor of State

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

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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 and related notes of the SEPTA Correctional Facility, Athens County, Ohio (the Facility), as of and for the years ended June 30, 2014 and 2013.

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 Section 117.38, Ohio Administrative Code Section 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.

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 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 Facility as of June 30, 2014 and 2013, 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, 2014 and 2013, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015, 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

June 4, 2015

**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, 2014**

	State Appropriations and Grants		Offender Funds		Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds		
Cash Receipts:						
Intergovernmental	\$2,732,331	\$40,410.00				\$2,772,741
Receipts for offenders				\$336,772		336,772
Collections from offenders						
for Reimbursement			\$27,459			27,459
for Work Release			23,335			23,335
for Commissary Reimbursement			24,039			24,039
for Per Diem			36,188			36,188
Commissions			24,488			24,488
Miscellaneous Revenue	239		3,625	70		3,934
Total Cash Receipts	2,732,570	40,410	139,134	336,842	-	3,248,956
Cash Disbursements:						
Personnel	1,734,081	10,711				1,744,792
Operating costs	642,077		17,073			659,150
Program costs	200,357		62,947			263,304
Equipment	72,146		200			72,346
Reimbursements to employees					\$2,500	2,500
Bank Charges			605	70		675
Offender Disbursements:						
Offender legal obligations				80,434		80,434
Offender payments to ODRC:						
for nurse				625		625
for physician				2,625		2,625
for sales commissions				9,635		9,635
for Work Release				23,335		23,335
for Per Diem				36,188		36,188
for Commissary/Personal Care				113,213		113,213
Offender Miscellaneous Payments				28,553		28,553
Offender savings paid at exit				68,400		68,400
Total Cash Disbursements	2,648,661	10,711	80,825	363,078	2,500	3,105,775
Non-Operating Receipts/Disbursements						
Indigent Support			(22,075)	22,075		0
Disbursements from prior FY (Including refund to ODRC)	109,239					109,239
Total Receipts Over/(Under) Disbursements	(25,330)	29,699	36,234	(4,161)	(2,500)	33,942
Fund Cash Balances, July 1, 2013	434,814	(13,986)	137,399	20,309	5,541	584,077
Fund Cash Balances, June 30, 2014	<u>\$409,484</u>	<u>\$15,713</u>	<u>\$173,633</u>	<u>\$16,148</u>	<u>\$3,041</u>	<u>\$618,019</u>
Unpaid Obligations/Open Purchase Orders	<u>\$20,732</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, 2013**

	State Appropriations and Grants		Offender Funds		Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds		
Cash Receipts:						
Intergovernmental	\$2,702,712	\$38,503				\$2,741,215
Receipts for offenders				\$273,615		273,615
Collections from offenders						
for Reimbursement			\$27,143			27,143
for Work Release			11,021			11,021
for Commissary Reimbursement			46,895			46,895
for Per Diem			31,279			31,279
Commissions			18,946			18,946
Miscellaneous Revenue	1,166		3,329	60		4,555
Payroll Deductions					\$2,623	2,623
Total Cash Receipts	2,703,878	38,503	138,613	273,675	2,623	3,157,292
Cash Disbursements:						
Personnel	1,567,751	11,124				1,578,875
Operating costs	613,240	13,853	34,234			661,327
Program costs	211,065		59,926			270,991
Equipment	70,591					70,591
Miscellaneous Expense			(183)	6,121		5,938
Reimbursements to employees					373	373
Bank Charges			85	60		145
Offender Disbursements:						
Offender legal obligations				76,862		76,862
Offender payments to ODRC:						
for nurse				1,090		1,090
for physician				2,600		2,600
for sales commissions				3,281		3,281
for Work Release				11,021		11,021
for Per Diem				31,279		31,279
for Commissary/Personal Care				85,395		85,395
Offender Miscellaneous Payments				47,707		47,707
Offender savings paid at exit				64,149		64,149
Total Cash Disbursements	2,462,647	24,977	94,062	329,565	373	2,911,624
Non-Operating Receipts/Disbursements						
Indigent Support			(61,881)	61,881		0
Disbursements from prior FY (Including refund to ODRC)	91,732					91,732
Total Receipts Over/(Under) Disbursements	149,499	13,526	(17,330)	5,991	2,250	153,936
Fund Cash Balances, July 1, 2012	285,315	(27,512)	154,729	14,318	3,291	430,141
Fund Cash Balances, June 30, 2013	\$434,814	\$ (13,986)	\$137,399	\$20,309	\$5,541	\$584,077
Unpaid Obligations/Open Purchase Orders	\$109,239					

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, 2014 AND 2013**

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 102 offenders as of June 30, 2014. 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, 2014 and 2013, 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.

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, 2014 AND 2013
(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. The Facility receives ABLE and Title 1 funding for contracting instructors and specialists to aid in the rehabilitation of others.

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 2014 and 2013 budgetary activity appears in Note 2.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,703,373	\$2,621,452	\$81,921

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,655,928	\$2,522,617	\$133,311

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. Amounts in excess of that are collateralized by the financial institution's public entity deposit pool.

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 2014 and 2013, 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, 2014.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

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.

Refund to ODRC		
	2014	2013
Cash, July 1	\$448,422	\$296,437
Disbursements Against Prior Year Budget	(\$109,239)	(\$91,732)
Payable to ODRC, July 1	(\$117,856)	
Sub-Total	\$221,327	\$204,705
501 Cash Receipts	2,703,373	2,655,928
Budgetary Basis Disbursements	(2,621,213)	(2,521,450)
Amount Subject to Refund, June 30	\$303,487	339,183
One-Twelfth of 501 Award	(225,281)	(221,327)
Refundable to ODRC	\$78,206	\$117,856

Calculation of Payable to ODRC		
	2014	2013
Payable, July 1	\$117,856	
Cash Refunded	-	
Refundable to ODRC, June 30	78,206	117,856
Payable, June 30	\$196,062	\$117,856

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 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, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2015, wherein we noted the Facility uses a special purpose framework other than generally accepted accounting principles.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses and a significant deficiency.

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 a 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. We consider Findings 2014-003, 2014-005 and 2014-006 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2014-002 described in the accompanying Schedule of Findings to be a significant deficiency.

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 2014-001 through 2014-004.

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

June 4, 2015

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance

Community-Based Correctional Facility 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. Section 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 three of the fiscal year 2013 quarterly reports by the required date. The first, second, and fourth quarterly reports were 97, 18, and 35 days past due, respectively.

The Facility should submit all reports by the required date.

Official's Response: The facility has implemented a monthly reconciliation process which will allow the timely submission of Quarterly Financial Reports moving forward.

FINDING NUMBER 2014-002

Noncompliance and Significant Deficiency

Community-Based Correctional Facility Grant Manual and Application, § II, F 3.c.1 provides that CBCF cash balances must be reconciled with the county auditor records and non-profit entities monthly.

The Facility did not maintain monthly balances for the ODRC and Federal funds during the audit period, and were therefore unable to reconcile cash balances to the fiscal agent balances monthly. This could result in discrepancies and irregularities occurring and going undetected.

We recommend the Facility maintain cash balances monthly to reconcile to the Hocking College monthly reports.

Official's Response: SEPTA has implemented a reconciliation process which will allow the balances to be maintained on a monthly basis.

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

The Community-Based Correctional Facility Grant Manual and Application for FY 15 Section II.G permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. A facility can retain the lesser of June 30 cash or 1/12 of the current year's 501 budget. The Facility must refund any excess over this amount to ODRC.

The Facility did not properly calculate the balance at June 30 and a refund was actually due to ODRC in the amount of \$117,856 for fiscal year 2013 and \$78,206 in fiscal year 2014. This resulted in an overstated balance for both years.

The Facility should calculate balances according to the grant manual and remit refunds due to ODRC in a timely manner.

Official's Response: This was a result of staff turnover and misinterpretation of the grant guidelines by a newly appointed department head. Newly implemented monthly reconciliation and reporting will ensure this is completed during the final months of the fiscal year.

FINDING NUMBER 2014-004

Noncompliance

The Community-Based Correctional Facility Grant Manual and Application for FY 15 Section II.D.3.d provides that:

- (1) Only equipment specified in the approved program proposal may be purchased.
- (2) Purchases of equipment not specified in the program proposal must have prior written approval from the Bureau of Community Sanctions in the form of a budget revision.
- (5) Proper inventory schedules must 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 purchased several pieces of equipment totaling \$7,392 in fiscal year 2013 and \$18,767 in fiscal year 2014 using ODRC monies that were not approved in the program proposal or revisions. Additionally, the inventory listing maintained by the Facility omitted two pieces of equipment totaling \$1,030 in fiscal year 2013 and seven pieces of equipment totaling \$38,912 in fiscal year 2014 and the Facility did not submit these inventory schedules with the applications as required.

The Facility's management should take care in including all anticipated equipment purchases in the grant proposal and promptly submit a revision if changes to that original listing occurs. We also recommend the Facility track and include all equipment in the inventory schedules and submit an accurate and complete listing with the ODRC.

Official's Response: Moving forward, the facility shall maintain separate equipment inventory records as related to ODRC grant guidelines.

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-005

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:

- 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 states that CBCFs must maintain accurate and legible accounting records to prepare financial reports.

The Facility did not prepare bank reconciliations for the seven months the Commissary Fund was active in fiscal year 2013 or for the four months that the Resident Trust Fund activity was being accounted for in the Resident Database in fiscal year 2013. Additionally, the Facility did not print and review reconciliations for the Resident Program Fund for any months during fiscal years 2013 and 2014 and these amounts were inaccurate due to a failure to include prior audit adjustments in the amounts. The Grant Administrator prepared and reviewed the reconciliations. There was no additional monitoring by the Executive Director or Board which could result in errors and irregularities in the reports and reconciliations.

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 facility has implemented a monthly reconciliation process which will allow the timely submission of Quarterly Financial Reports moving forward. Once monthly reconciliations are completed they will be reviewed by the executive director and provided to each facility governing board member electronically for review at the next scheduled facility governing board meeting.

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-006

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 Facility made the following material mispostings:

For fiscal year ended June 30, 2014:

- The Facility posted a Federal Fund to the ODRC fund. This resulted in an increase in Intergovernmental revenue of \$2,280 in the Federal Fund and a decrease of Miscellaneous Revenue in the ODRC fund of \$2,280.
- In the Federal Fund the Facility posted fiscal year 2015 expenditures in fiscal year 2014. This resulted in an increase in ending fund balance of \$4,130 and an increase in Supplies and Equipment Disbursements of \$670 and \$3,460, respectively.

For fiscal year ended June 30, 2013:

- In the ODRC Fund, the Facility posted fiscal year 2013 expenditures in fiscal year 2012. This resulted in an increase in beginning fund balance of \$138,792 and an increase in Personnel, Operating, Equipment, and Prior year Disbursements of \$4,039, \$3,517, \$39,504, and \$91,732, respectively.

These misstatements were caused by 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 properly classify and take additional care in posting transactions to the Facility's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures

Official's Response: A more in depth chart of accounts has been established to assist with the ability to identify, assemble, analyze, classify, record, and report all transactions to allow for proper preparation of financial statements.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Finding for Recovery against former employee, Jessica Schwerin, in the amount of \$1,361 for overpayment of final paycheck.	No	Not Corrected. The finding remains unpaid. Management intends to take the necessary steps to collect.
2012-002	Noncompliance and Material Weakness relating to Ohio Rev. Code § 149.351(A) for failure to maintain adequate supporting documentation for financial transactions.	Yes	N/A
2012-003	Noncompliance with State ex rel. McClure v. Hagerman for paying late fees and interest which are not considered proper public purpose expenditures.	No	Partially Corrected. Repeated in a separate letter to management.
2012-004	Noncompliance and Material Weakness relating to CBCF Grant Manual and Application § II F.1 for not maintaining adequate accounting records or systems.	Yes	N/A
2012-005	Noncompliance and Significant Deficiency relating to CBCF Grant Manual and Application § II D.1.d for failure to properly encumber obligations in a timely manner.	Yes	N/A
2012-006	Noncompliance relating to CBCF Grant Manual and Application § II A for not submitting the quarterly reports timely.	No	Not Corrected. Repeated as finding 2014-001.
2012-007	Noncompliance relating to CBCF Grant Manual and Application § II D.1.b for expenditures exceeding the grant award.	Yes	N/A

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-008	Material Weakness for failure to reconcile the system to the bank.	No	Not Corrected. Repeated as finding 2014-005
2012-009	Material Weakness for significant misposting requiring financial statement adjustment.	Yes	N/A
2012-010	Material Weakness for unposted transactions or transaction posted to the incorrect funds.	Yes	N/A



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
JUNE 16, 2015**