



Mary Taylor, CPA  
Auditor of State



**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Agency Fund Type – For the Year Ended December 31, 2006 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	7
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Agency Fund Type - For the Year Ended December 31, 2005 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	21

**This page intentionally left blank.**



Mary Taylor, CPA  
Auditor of State

Tri-County Regional Jail  
Champaign County  
4099 State Route 559  
Mechanicsburg, Ohio 43044

To the Board of Commission:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 7, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Regional Jail  
Champaign County  
4099 State Route 559  
Mechanicsburg, Ohio 43044

To the Board of Commission:

We have audited the accompanying financial statements of Tri-County Regional Jail, Champaign County, (the Jail), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Jail's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidential matter supporting the activity within the Inmate Accounts Fund (Agency Fund), nor were we able to satisfy ourselves as to the completeness and accuracy by other auditing procedures. This financial activity represents beginning and ending balances, all reported revenue and disbursement transactions for the Inmate Account Fund – Agency Fund Type.

As described more fully in Note 1, the Jail has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Jail's larger (i.e. major) funds separately. While the Jail does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Jails to reformat their statements. The Jail has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Jail as of December 31, 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for effects of such adjustment, if any, as might have been determined to be necessary, had we been able to examine sufficient evidence supporting the amounts reported for the Inmate Account – Agency Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Tri-County Regional Jail, Champaign County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Jail has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007, on our consideration of the Jail's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

November 7, 2007



**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Type</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$3,364,649		\$3,364,649
Charges for Services	16,921		16,921
Sales		\$100,803	100,803
Refund and Reimbursements	85,916		85,916
Other Receipts	1,154		1,154
Total Cash Receipts	<u>3,468,640</u>	<u>100,803</u>	<u>3,569,443</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Salaries and Benefits	2,261,225		2,261,225
Supplies	459,065	85,402	544,467
Equipment	79,739		79,739
Contracts - Repair	17,333		17,333
Contractual Services	66,991		66,991
Medical	18,486		18,486
Utilities	252,949	2,285	255,234
Travel	278		278
Insurance	68,504		68,504
Other	19,523		19,523
Total Cash Disbursements	<u>3,244,093</u>	<u>87,687</u>	<u>3,331,780</u>
Total Receipts Over/(Under) Disbursements	224,547	13,116	237,663
Fund Cash Balances, January 1	<u>583,591</u>	<u>7,930</u>	<u>591,521</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$808,138</u></b>	<b><u>\$21,046</u></b>	<b><u>\$829,184</u></b>
Reserves for Encumbrances, December 31	<u>\$66,614</u>	<u>\$5,881</u>	<u>\$72,495</u>

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

TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
AGENCY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Inmate Account</u>
<b>Cash Receipts:</b>	
Other Revenue	\$324,945
<b>Cash Disbursements:</b>	
Other Disbursements	<u>303,271</u>
Total Receipts Over/(Under ) Disbursements	21,674
Fund Cash Balance, January 1	<u>33,395</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$55,069</u></u></b>

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

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Type</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$3,214,085		\$3,214,085
Charges for Services	21,170		21,170
Sales		\$92,109	92,109
Refund and Reimbursements	64,680		64,680
Other Receipts	42,638		42,638
Total Cash Receipts	<u>3,342,573</u>	<u>92,109</u>	<u>3,434,682</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Salaries and Benefits	2,090,733		2,090,733
Supplies	380,097	82,607	462,704
Reimbursement to Counties	424,801		424,801
Equipment	123,906		123,906
Contracts - Repair	13,982		13,982
Contractual Services	54,276		54,276
Medical	16,149		16,149
Utilities	244,335		244,335
Travel	300		300
Insurance	67,610		67,610
Other	17,594	1,932	19,526
Total Cash Disbursements	<u>3,433,783</u>	<u>84,539</u>	<u>3,518,322</u>
Total Receipts Over/(Under) Disbursements	(91,210)	7,570	(83,640)
Fund Cash Balances, January 1	<u>674,801</u>	<u>360</u>	<u>675,161</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$583,591</u></b>	<b><u>\$7,930</u></b>	<b><u>\$591,521</u></b>
Reserves for Encumbrances, December 31	<u>\$75,441</u>	<u>\$6,997</u>	<u>\$82,438</u>

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

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
AGENCY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Inmate Account</u>
<b>Cash Receipts:</b>	
Other Revenue	\$257,100
<b>Cash Disbursements:</b>	
Other Disbursements	250,154
Total Receipts Over/(Under ) Disbursements	<u>6,946</u>
Fund Cash Balance, January 1	<u>26,449</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$33,395</u></u></b>

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

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Tri-County Regional Jail, Champaign County (the Jail), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Jail was established by the Board of County Commissioners of Union, Champaign and Madison Counties. The Jail is overseen by the Tri-County Corrections Commission (the Commission) pursuant to Revised Code Sections 153.61 and 307.93. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and one Commissioner of each participating county. The Commission was established to use the authority common to the Members to develop, construct, operate and administer a multi-county correctional center to augment county jail programs and facilities.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Jail 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, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

As the Ohio Revised Code permits, the Champaign County Treasurer holds the Jail's cash as the Jail's custodian. The County holds the Jail's assets in its investment pool, valued at the Treasurer's reported carrying amount.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

**Commissary** – This fund receives monies collected from inmates for the purchases of commissary items.

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Fund (Agency Fund)**

Funds for which the Jail is acting in an agency capacity are classified as agency funds. The Jail had the following Agency Fund:

**Inmate Accounts** – This fund receives funds collected from inmates or their friends and/or family to be used to purchase commissary items, doctor visits or haircuts.

**E. Property, Plant, and Equipment**

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

**F. 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. EQUITY IN POOLED CASH**

The Jail maintains a bank account for the inmate accounts at Citizens National Bank. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	<u>\$55,069</u>	<u>\$33,395</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Jail contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Jail has paid all contributions required through December 31, 2006.

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. RISK MANAGEMENT**

**A. Risk Pool Membership**

The Jail is exposed to various risks of property and casualty losses, and injuries to employees.

The Jail insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Jail belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**B. Casualty Coverage**

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**C. Property Coverage**

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

**D. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<b>Casualty Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<b>Property Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Jail's share of these unpaid claims collectible in future years is approximately \$137,008. This payable includes the subsequent year's contribution due if the Jail terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>Contributions to PEP</b>	
2004	\$65,757
2005	\$67,204
2006	\$68,504

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.





# Mary Taylor, CPA

Auditor of State

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

Tri-County Regional Jail  
Champaign County  
4099 State Route 559  
Mechanicsburg, Ohio 3044

To the Board of Commission:

We have audited the financial statements of the Tri-County Regional Jail, Champaign County, (the Jail), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 7, 2007, wherein we noted the Jail followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and which was qualified due to a lack of sufficient evidence supporting the inmate account - agency fund balances and activity. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jail's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Jail's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the deficiencies described in the accompanying schedule of findings as items 2006-001 through 2006-007 to be significant deficiencies in internal control over financial reporting.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Jail's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-002 and 2006-004 through 2006-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Jail's management in a separate letter dated November 7, 2007.

**Compliance and Other Matters**

As part of reasonably assuring whether the Jail's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Jail's management in a separate letter dated November 7, 2007.

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

We intend this report solely for the information and use of management, and the Jail's Board of Commission. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 7, 2007

**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-001**

**Material Noncompliance and Significant Deficiency**

**FINDING FOR RECOVERY**

Correction Officer Dennis Lyons received 78.78 additional vacation hours on pay period ending 6/10/05. His personnel files give no indication that he was entitled to receive these additional vacation hours. When Mr. Lyons resigned in July 2005 to take another job, he received a payout for 113.9 of unused vacation hours but was only entitled to receive compensation for 35.12 hours. This resulted in Mr. Lyons being overpaid for 78.78 of vacation hours at a rate of \$13.78/hr for a total amount of One Thousand Eighty-Five Dollars and fifty-nine cents (\$1,085.59).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dennis Lyons in the amount of One Thousand Eighty-Five Dollars and fifty-nine cents, and in favor of the Tri-County Regional Jail's General Fund. Mr. Lyons agreed on November 1, 2007 to repay the amount in 12 equal monthly installments starting on November 30, 2007.

**Client's Response:**

Mr. Lyons signed an agreement to repay the full amount. The Jail Commission approved this action.

**FINDING NUMBER 2006-002**

**Material Noncompliance and Material Weakness**

**Ohio Admin. Code Section 117-2-02(D)** requires all local public offices to maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

1. Cash journal which typically contains the following information: the amount, date, receipt number, check number and any other information necessary to properly classify the transaction.
2. Receipts ledger which would contain the amount, date, name of the payer, purpose, receipt number and other information required for the transaction can be recorded on this ledger.
3. Appropriation ledger which would contain the amount, date, check number, amount of disbursement, balance and any other information required may be entered in the appropriate columns.

The Tri-County Regional Jail did not maintain the above accounting records for the Agency Fund – Inmate Account for the period of January 1, 2005 to current. The audit opinion was qualified on the Agency Fund Inmate account due to the condition of the records, as described above. Management should inquire as to how other Jails in the area are utilizing the Keefe accounting system and require the Program Director to begin keeping the required records.

**Client's Response:**

We have fully implemented the use of the Keefe system for all receipts and payments with monthly reconciliations to the monthly bank statement. Receipts are produced and documented using the jail's Jamin intake system and receipt booklets. Appropriation ledgers are maintained with all proper support using the Keefe Commissary computer system

**FINDING NUMBER 2006-003**

**Material Noncompliance and Significant Deficiency**

**Annual Financial Report**

**Ohio Rev. Code 117.38** requires each public office to file their annual reports with the Auditor of State within 60 days of the fiscal year end. The reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. At the time the report is filed with the Auditor of State, the chief fiscal officer shall publish a notice in a local newspaper that the annual financial report has been completed and is available for inspection at the office of the chief fiscal officer.

The annual reports for 2005 and 2006 were not prepared until April 23, 2007, and a notice was not published in the local newspaper that the annual financial reports were completed and available for inspection.

The Jail should prepare and submit their annual report with the Auditor of State's office by March 1<sup>st</sup> each year and publish a notice in the local newspaper that the annual report is available for inspection.

**Client's Response:**

The due date for the Annual Financial Report has been noted and added to the appropriate calendars.

**FINDING NUMBER 2006-004**

**Material Weakness**

**FINDING FOR ADJUSTMENT**

**Inmate Checking Account**

Tri-County Regional Jail's Inmate Checking Account was not reconciled for over 2 years which caused a discrepancy between the book and bank balance to go undetected. The Program Director wrongly made payments to the General and Commissary Funds with inmate monies in an attempt to close several inmate outstanding account receivables. Also, erroneous payments made in prior years went uncorrected. These errors resulted in the Inmate checking account being understated by \$18,166.47.

In accordance with the forgoing facts, a Finding for Adjustment is issued against the General Fund for \$14,785.18 and Commissary Fund for \$3,381.29 and in favor of the Inmate Checking Account for the amount of Eighteen Thousand, One Hundred and Sixty-Six Dollars and forty-seven cents.

**Client's Response:**

The Tri-County Jail's Commission met on September 6, 2007, to make the proper motions for the adjustments to the inmate checking account. Adjustments have been made accordingly. The Inmate Checking Account is being reconciled without discrepancy to the Bank Statement.

## FINDING NUMBER 2006-005

### Material Weakness

#### Computer Environment

Tri-County Regional Jail purchased a commissary/inmate account software package to track commissary and inmate account activity. The following weaknesses were noted during review of the computer environment:

- Only parts of the software program were utilized; the Program Director used Quicken to reconcile and track deposits.
- Errors were made as a result of personnel not understanding the functions of the system and/or not being properly trained.
- Upgrades were not performed timely.

In order to improve the commissary/inmate account computer environment, Management should contact other entities in the area that have the software and visit their facilities to determine how they are utilizing the system. Management should then contact the vendor regarding system upgrades and training of personnel to take advantage of all features available on the system.

#### Client's Response:

Tri-County Jail has worked closely with the Keefe Commissary technical support to upgrade and implement the full potential of the computer system as purchased. Quicken has been removed from the computer and Keefe is the only accounting system in use. Personnel have made visits to other jail's using the Keefe system and have had Keefe support teams visit for further training.

## FINDING NUMBER 2006-006

### Material Weakness

#### Monthly Reconciliations

The following weaknesses were noted when attempts were made to reconcile the Inmate Account's monthly bank statements:

- the Program Director was reconciling the bank statement to the checkbook balance rather than the inmate account balances;
- outstanding reconciliation items such as NSF check and service charges from December 2000 were not posted;
- Change drawer was not a set amount and would vary from day-to-day depending on the Program Director;
- Unclaimed Funds, a temporary account with over 1,050 checks over 3 years old, has not been paid into Champaign County per Jail Standard Operating Procedures Section 4.22;
- Program Director transferred monies between Unclaimed Funds to inmate accounts for checks that had already been reissued;
- Program Director made over \$15,000 in posting errors which were uncorrected because the Inmate Account was not reconciled and management does not monitor the accounting or reconciliation process. There is no segregation of duties.

The above weaknesses resulted in the Inmate Account not being reconciled from bank-to-book and the checking account being understated.

**FINDING NUMBER 2006-006  
(Continued)**

A properly reconciled inmate account is necessary to accurately safeguard and report inmate monies held in trust. The Program Director should complete the following procedures for reconciling the Inmate Account:

- Print out the Inmate Balance Report at the end of each month and reconcile the bank statement to the inmate account balances.
- Checks in Unclaimed Fund Account should be verified to inmate account summary to determine they are really outstanding checks.
- Balance in the Unclaimed Fund Account should be paid into Champaign County Treasurer and account closed.
- Old outstanding reconciliation items should be addressed and cleared from the bank reconciliation.
- Errors should be identified in a timely manner, reviewed and adjustments made as needed.
- Director or Assistant Director should approve all adjustments.
- The Change drawer should be maintained at a constant \$100, in accordance with Jail policy.
- All checks over 6 months old should be posted for 30 days per Jail Standard Operating Procedures Section 4.22. At the end of the 30 days, if the monies are unclaimed the checks should be removed from the outstanding checklist and paid to the respective County.
- The Director or Assistant Director should review and sign the monthly reconciliations. Any variances should be investigated and corrected, if needed.
- Monthly financial reports should be given to the Director or Assistant Director and Board of Commission.

**Client's Response:**

Monthly reconciliations are now completed without discrepancy.

- Tri-County Jail has implemented a reconciliation summary page that reconciles each trial balance account to supporting detail including to the bank statement. The summary page includes the reconciliation of the bank statement to the inmate account balances.
- All banking charges are now being reviewed on an individual basis. Any charges as a direct result of an inmate check are being offset in the inmates account balance.
- The cash drawer is monitored through a cash box ledger and reconciled monthly to the Keefe Commissary System. The cash box is reviewed daily by two personnel and replenished to equal \$100.00.
- Any prior unclaimed funds have been paid per policy. Personnel are currently reviewing any outstanding checks on a monthly basis and making necessary attempts to return the inmates balances.
- Any identified monies incorrectly transferred have been corrected.
- Any identified posting errors have been corrected. Accounts are now reconciled without discrepancy. The Tri-County Jail has hired a consultant to oversee the accounting systems.
- The inmate balance reports are now processed daily for the Director's review.
- By utilizing a monthly reconciliation summary, any errors that may arise are noted and handled in a timely manner.
- Controls have been established with Keefe Commissary to receive authorization from the Director or Assistant Director in the event adjustments are necessary.
- Any adjustments are presented to the Director or Assistant Director for approval.

## FINDING NUMBER 2006-007

### Material Weakness

#### Inmate/Work Release and Commissary Account

The following weaknesses were noted in the Commissary, Work Release and Inmate Account collection cycles:

- Correction officers are not consistent in writing receipts for money collected; and receipts do not always include the money order # and inmate name and are sometimes for the incorrect amount;
- Management returns money orders to inmates without having support documentation on file;
- Booking receipts ( documentation of cash deposited for or by inmates) are not reconciled to deposits;
- Inmates receipts collected by officers are not counted and reconciled before Program Director takes possession;
- Program Director does not issue pre-numbered receipts on the system;
- Program Director did not follow up with the vendor to receive credit on returned merchandise causing Commissary Account to be overcharged for merchandise not received by inmates;
- Work release monies were commingled with inmate account monies; also, work release revenue was not being reconciled to the sign out log.
- Receipts were written but not deposited and/or posted to inmate account;
- Program Director transfer inmate's unpaid account balances through 'notes' (list of errors, not posted) which caused accounts to be credited with payments when no payments were paid. These payments went unnoticed and uncorrected for over 2 years.
- Management does not receive monthly financial statements for the inmate account.
- There is no segregation of duties over the Inmate/Work Release Accounts.

The above weaknesses resulted in the Inmate bank account to be out of balance for over 2 years, inmate's accounts to be incorrectly stated and to cause errors to be made and not detected in a timely manner.

To improve controls over the inmate monies and processing of receipts and disbursements, Management should:

- Contact Commissary Vendor regarding reimbursements for paid commissary invoices credit to inmate for merchandise not received. In the future, Commissary refunds should be requested in a timely manner in accordance with Vendor requirement.
- Maintain segregation of duties over the handling, receipting, and recording processes.
- Receive monthly financial statements from the Program Director.
- Require two signatures on all checks written from the Inmate Account.
- Review and sign the bank reconciliation indicating review and approval.
- Review and approve all adjustments to inmate account balances.
- Monitor and verify that corrections to inmate's accounts are posted to the accounting system;
- Recommend that the Board of Commission establish a separate fund at the County for work release revenue. Revenue should be paid into the fund at month end.

**FINDING NUMBER 2006-007  
(Continued)**

**Client's Response:**

Inmate/work release and commissary account

- At the point that corrections officers issue receipts, a receipt is printed directly from the Jamin intake system containing the date of the money order, the money order number, the inmate name, and the money order amount.
- Any payment back to an inmate contains support stating current account balances at the time of release.
- All receipted money is signed by the corrections officer receiving the money. The lieutenant is then responsible for transferring the funds to the fiscal representative with a signature by the lieutenant.
- Tri-County Jail has been repaid by the Keefe Commissary account for all identified credits. Any discrepancy will be monitored and handled in a timely manner.
- A new Work Release account fund has been set up at the county. All Work Release collections are now forwarded to this account on a monthly basis.
- Any note errors made by the previous Program Director have been corrected. Note errors are no longer an option on the Tri-County Jail's Keefe System.
- Director now receives monthly reconciliations on all accounts for review.
- All checks processed are now required to have two signatures.



**TRI-COUNTY REGIONAL JAIL  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Finding for Recovery for overpayment of wages in the amount of \$644.89	Yes	Finding repaid
2004-002	Finding for Recovery for overpayment of wages in the amount of \$541.07	Yes	Finding repaid
2004-003	ORC Section 149.351, destruction of records	No	Partially Corrected; reported in a separate letter to management of the Tri-County Regional Jail
2004-004	ORC Section 117.38, failure to file annual reports with Auditor of State	No	Reissued as Finding 2006-003
2004-005	Failure to reconcile the inmate account	No	Reissued as Finding 2006-006 and 2006-004
2004-006	Salary increase for non-union employees without Board approval	Yes	





**Mary Taylor, CPA**  
Auditor of State

**TRI-COUNTY REGIONAL JAIL**

**CHAMPAIGN 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  
DECEMBER 11, 2007**