

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
MADISON COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
09/05/2007

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CITY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------------------------|--|
| Mayor | Hon. Kevin S. Smith | 01-01-04 to 12-31-07 |
| Airport Manager | Steve W. Darlington | 01-01-06 to 12-31-07 |
| President of the Common Council | Rodney Chamberlain Donna Davis | 01-01-06 to 12-31-06 01-01-07 to 12-31-07 |
| President of the Board of Aviation Commissioners | Jim Thiemet Tony Rogers | 01-01-06 to 12-31-06 01-01-07 to 12-31-07 |



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TO: THE OFFICIALS OF THE CITY OF ANDERSON, MADISON COUNTY

We have audited the records of the Board of Aviation Commissioners for the period from January 1, 2006 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Comprehensive Annual Financial Report of City of Anderson for the year 2006.

STATE BOARD OF ACCOUNTS

June 11, 2007

BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
AUDIT RESULT AND COMMENT

FIXED BASE OPERATOR CONTRACT

As stated in the prior two reports, the Board of Aviation Commissioners, of the City of Anderson, Indiana entered into a contract with DK and L Company, LLC (DKL). Per the agreement, DKL was to provide Fixed Base Operator (FBO) services. As the FBO, DKL leased hangar number 1 (H1) for the sum of \$2,000 per month payable on the first day of each month during the term of the agreement. Additionally, DKL was responsible for the cost of all utilities associated with its leased space.

Per the contract with the City, DKL had the responsibility to collect rental charges and remit fees to the City relating to hangar number 2 (H2) for the rental of storage space for various aircraft. DKL may charge more than the amounts stated in the contract and retain the difference. There was no contractual provision requiring DKL to substantiate or attest to the rental activity.

DKL was also responsible for selling aviation fuel and remitting a fee of \$.05 per gallon to the City on or before the twentieth day following the end of each month. Aviation fuel includes both jet fuel and low-lead fuel. Such fees were to be remitted with a report of fuel sales during the preceding month. Within sixty days of year's end, DKL was to furnish an annual statement of fuel sales collected during the preceding calendar year with certification by an officer of DKL as to its accuracy.

A delinquency charge of 1½% was to be applied to all payments related to the above charges and fees which are rendered more than ten days delinquent.

During the course of the audit, it was noted where provisions of the contract were not being complied with. Rental charges and fuel fees were not being collected by the due dates. Airport officials have not added the 1½% delinquency fee to unpaid amounts more than ten days past due. Reimbursement for utility charges was not billed and collected on a timely basis. An annual statement of fuel sales presented for audit was not certified by an officer of the company as required by the contract.

The agreement was to expire on December 31, 2007. However, DKL filed for bankruptcy protection and ceased its contractual operations on April 14, 2007.

Per City officials, a balance of \$179 relating to H2 rental charges for March 2007 remains uncollected from the time DKL ceased operations.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD OF AVIATION COMMISSIONERS
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2007, with Steve W. Darlington, Airport Manager; Tony Rogers, President of the Board of Aviation Commissioners; Morris D. Long, Controller; and Hon. Kevin S. Smith, Mayor. The officials concurred with our audit findings.