

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

AUDIT REPORT

OF

DEPARTMENT OF AVIATION

CLARK COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED
06/18/2010

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	William Happel Melodee Mc Names	01-01-08 to 01-31-10 02-01-10 to 12-31-10
President of Board Of Aviation Commissioners	Ronald Barnes	01-01-08 to 12-31-10
President of the County Council	David Abbott Jack A. Coffman	01-01-08 to 12-31-09 01-01-10 to 12-31-10
President of the Board of County Commissioners	M. Edward Meyer	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the Department of Aviation for the period from January 1, 2008 to December 31, 2008, 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 Results and Comments. The financial transactions of this office are reflected in the Annual Report of Clark County for the year 2008.

STATE BOARD OF ACCOUNTS

May 19, 2010

DEPARTMENT OF AVIATION
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL MANAGEMENT SYSTEM

Adequate financial records were not maintained to account for financial activity related to the federal grant. Financial activity related to the grant was not maintained in a separate fund, but was instead combined with financial activity related to the normal daily operations of the County's airport. Financial activity associated with the County's local matching funds, as required by the grant, was accounted for in a separate fund. As a result, there was not a system in place to provide consolidated financial activity related to the grant program.

In order to determine expenditures under the federal grant program and the amount of federal grant monies to be requested, a listing of invoices was made along with copies of the invoices. However, the listing of invoices could not be readily traced to the actual expenditures recorded in the County Auditor's funds ledger. The listing did not contain information, such as, the date the invoice was paid and the related check number issued.

In addition, the entire amount of the invoice was not paid at one time. The federal portion associated with the invoices was paid around the same time the federal funds were requested; however, the amount of the state and local portion of the invoices were not paid for several months later. In some instances, the state and local portion of the invoices were paid up to four or five months later.

Failure to provide consolidated financial activity related to the grant project resulted in difficulties in determining the County's compliance with the grant program requirements related to financial reporting, budget control, and matching. A grant project ledger should be maintained to properly report financial activity related to the grant project and provide proper monitoring of grant program requirements.

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 Counties of Indiana, Chapter 1)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

UNTIMELY PAYMENTS OF EXPENDITURES

As stated in the Audit Result and Comment titled "Financial Management System", portions of invoices were paid up to four or five months late.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

DEPARTMENT OF AVIATION
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2010, with M. Edward Meyer, President of the Board of County Commissioners, and Jack A. Coffman, President of the County Council.

The contents of this report were discussed on May 25, 2010, with Melodee Mc Names, Airport Manager. The official response has been made a part of this report and may be found on pages 6 through 8.

To: State Board of Accounts

From: Board of Aviation Commissioners of Clark County

Ref: Exit Conference Official Response

Date: Conference May 25, 2010

Audit Period: 1-1-08 to 12-31-09

Financial Management System

#1 Grants – Separate Fund

Until the fall of 2009, the BOAC was told they could only have one Aviation Fund. Since the start of the Clark County Airport in 1967, the BOAC has only had one Fund to pay all expenditures, Grant and Operational expenses. The BOAC has requested from the Auditor and the State Board of Accounts separate funds but their request was denied. Until 2008, the BOAC has not incurred any deficiencies.

#2 Budget Appropriations

In the past a detailed ledger has been kept for all expenditures by a specific appropriation number. Every invoice could be tracked whether it was for engineering, legal, management, mowing, maintenance etc... Grant expenses were also in separate appropriations. For example: Engineering had two appropriations, one for operational expense and one for grant expense.

In 2005 the County Auditor and the County Council changed the budget appropriation system. Each year, thereafter, the appropriation numbers were narrowed down to basically an "All Other Services" category. NO longer were expenses able to be categorized by type and posted to separate appropriations. In 2010, the budget numbering system resumed to the 2004 status. When the BOAC requested separate accounts or appropriation numbers for the grants, they were denied by the Auditor. The Auditor blamed the County Council saying they would not allow it, claiming it was labor intensive and too much work.

Combining all expenditures into one appropriation diminished quality control and doubled and tripled the work load on the BOAC. All expenditures whether operational or grant related, expenses were paid out of one fund and one appropriation and no longer had an identity of there own. The county's accounting method made it very difficult.

Internally, the BOAC has kept separate records. These records were not requested. At the time of the audit, the only document requests were for the Grant pay requests. No request was made for any supporting documentation. Tracking of grant expenses and pay requests along with the "spend down" of grant funds is kept by the BOAC. . It also was included in the pay request documentation, Form 5100-100.

#3 Local Grant Tracking Fund

At the direction of the County Council, the Local Matching Funds were separated into a Grant Tracking Fund 325. The County Council would not allow these funds to be used to cash flow the states portion of the payment. In the past the local grant match was used. Upon receipt of the State Funds the states portion was written by a separate check to the vendor. The local portion was also paid to the vendor by a separate check. This was for accountability and specifically arranged by the County Council. Nothing but the local grant match payments were to be paid from Fund 325.

#4 Untimely Payment of Expenditures

Payments were deposited by EFT to the County Treasurer. This was new in 2008. The County Treasurer would not allow Electronic Fund Transfers in the past and unwillingly had to allow it in 2008 because the Federal Aviation Administration would not grant a waiver any longer. The BOAC would notify the auditor and the treasurer by email and by submitting copies of the pay request to the County Auditor's office. At times the funds would lie in the County's bank account for several days before deposited into the aviation fund. The BOAC would not be notified in a timely fashion to submit the claims for payment. The BOAC can only rely on the Treasurer and the Auditor's office for notification of the deposit. The BOAC sent reminders weekly to the FAA, INDOT, Treasurer and the Auditor's office requesting notification of when the Pay Request were approved and deposits were made by the responsible parties.

In order to submit a pay request to INDOT for the State's portion, the pay request had to be a minimum of \$500. Sometimes it would take 3-4 months for the states share (2.5%) of invoices to total \$500. This would attribute to the delay in payment. This caused a delay in payment of expenses sometimes as long as 6 months. It always takes longer for the State of Indiana to process a Pay Request.

Due to Clark County's unbalanced budget, the Treasurer's office shut down any payments from the middle of December to the middle of January. This delayed the closing of a large property acquisition. It should have closed before the end of 2008 and did not close until January 13, 2009. Other related payments relating to this same pay request and the closing were delayed until February.

In summary, the Board of Aviation has had numerous discussions with the County Council about the financial activities and accountability that is listed in the audit. The BOAC had no other recourse than to abide by the County Council's rules. The Auditor and Treasurer enforced these rules. The BOAC serves at the discretion of the County officials. There were no options and our requests were ignored. The Clark Regional Airport's growth needs its own accounting department and means to satisfy the timeliness of financial responsibilities, instead of having to rely on the county.

The BOAC has detailed accounting records for internal use. At the time of the audit, the conversations with the auditor, indicated the County Auditor's office was being audited rather than the Board of Aviation Commissioners. The County Auditor's office did not maintain adequate records to show the separation of BOAC grant funds in 2008 or 2009. The BOAC maintained a ledger for the County and another detailed ledger for internal use.

The Board of Aviation Commissioners has established a professional relationship with the State Board of Accounts and there auditing process. The BOAC understands and appreciates the importance of this audit.

Respectfully Submitted:

Board of Aviation Commissioners of Clark County, IN



Melodee McNames, Airport Manager