

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
LAPORTE MUNICIPAL AIRPORT AUTHORITY  
LAPORTE COUNTY, INDIANA  
January 1, 2012 to December 31, 2013



**FILED**  
08/08/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Authority Manager	Barry Aftowski	01-01-12 to 12-31-14
Airport Authority Treasurer	James Shearin	01-01-12 to 12-31-14
Mayor	Blair Milo	01-01-12 to 12-31-15
President of the Airport Authority Board	Edward Volk	01-01-12 to 12-31-14



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE LAPORTE MUNICIPAL AIRPORT  
AUTHORITY, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the LaPorte Municipal Airport Authority (Airport Authority), for the period from January 1, 2012 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Airport Authority. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Airport Authority, which provides our opinions on the Airport Authority's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The Corrective Action Plan for the Federal Finding and the Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

July 1, 2014

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LAPORTE MUNICIPAL AIRPORT AUTHORITY  
LAPORTE COUNTY

LAPORTE MUNICIPAL AIRPORT AUTHORITY  
LAPORTE COUNTY  
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM***

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0047-16 & 3-18-0047-20

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Davis-Bacon, and Reporting. The failure to establish an effective internal control system places the airport at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The Airport Authority hired a consultant to administer all aspects of the program. Officials relied upon the grant administrator to ensure compliance with the requirements that have a direct and material effect on the program. An oversight or review process has not been established to verify that the grant administrator ensured compliance with all applicable requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Airport Authority.

We recommended that the Airport Authority's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.



**LA PORTE MUNICIPAL AIRPORT**  
2341 ST. RD. 39 S.  
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(219) 324-3393

CORRECTIVE ACTION PLAN

**FINDING 2013-001 – Internal Controls Over Compliance Requirements that have a Direct and Material Effect to the Airport Improvement Program.**

**Federal Agency:** Department of Transportation  
**Federal Program:** Airport Improvement Program  
**CFDA Number:** 20.106  
**Federal Award Number:** 3-18-0047-16 & 3-18-0047-20

Contact Person Responsible for Corrective Action: Edward Volk  
Contact Phone Number: (219) 362-1577

Description of Corrective Action Plan:

The Board of the La Porte Municipal Airport Authority (Authority) has internal control procedures in place to safeguard the assets and funds of the Authority.

Due to the Authority's limited staff size and fiscal limitations, it is not cost effective to hire a qualified person or consultant to monitor and oversee the firm engaged by the Authority which administers the grants received by the Authority. The Board and Management actively work with the grant administrator, and will continue to do so to comply with grant requirements.

Due to fiscal restraints, no other action will be implemented.

Anticipated Completion Date:

The La Porte Municipal Airport Authority has determined the above action to be effective as of the Date of this correspondence.

  
\_\_\_\_\_  
James M. Shearin

\_\_\_\_\_  
Treasurer

6-24-14  
\_\_\_\_\_  
(Date)

LAPORTE MUNICIPAL AIRPORT AUTHORITY  
LAPORTE COUNTY  
AUDIT RESULT AND COMMENT

***OVERDRAWN CASH BALANCE***

The financial statement presented for the Airport Authority included the Debt Service Fund which had overdrawn cash balances of \$42,742 and \$180,721 at December 31, 2012 and 2013, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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**AUDIT RESULT AND COMMENT RESPONSE**

The debt service fund has had a negative balance at the end of 2012 and 2013. The reason for the negative balance is due to the fact that La Porte County has been delayed in setting the tax levies, collecting and remitting tax receipts to the Airport for multiple years. It is anticipated that these funds will be collected in 2014.

LAPORTE MUNICIPAL AIRPORT AUTHORITY  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2014, with Barry Aftowski, Airport Authority Manager; Edward Volk, President of the Airport Authority Board; and James Shearin, Airport Authority Treasurer.