

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

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



**FILED**  
08/22/2014



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joseph Evans Andrew Munson	01-01-12 to 12-31-12 01-01-13 to 12-31-14
President of the Board	Gerald Langley Joseph Evans	01-01-12 to 12-31-12 01-01-13 to 12-31-14



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

This report is supplemental to our audit report of the Delaware County 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 Findings, identified in the above referenced audit report, are 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

July 14, 2014

DELAWARE COUNTY AIRPORT AUTHORITY  
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Airport Authority related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Airport Authority to reduce risks to the achievement of financial reporting objectives. The Airport Authority has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Airport Authority's audited financial statement and then determining how those identified risks should be managed. The Airport Authority has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Board to monitor and assess the quality of the Airport Authority's system of internal control. The Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Airport Authority at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Board has no process to identify or communicate corrective actions to improve controls.

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.

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 for Special Districts, Chapter 10)

DELAWARE COUNTY AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2013-002 - 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): AIP 3-18-0059 26

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 some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Davis-Bacon Act and Procurement, Suspension, and Debarment. The failure to establish an effective internal control system places the Airport Authority 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 grant. The Airport Authority relies on its grant administrator to monitor the contractors for compliance with Davis-Bacon Act and Procurement, Suspension, and Debarment. There is no regular monitoring by Airport Authority personnel.

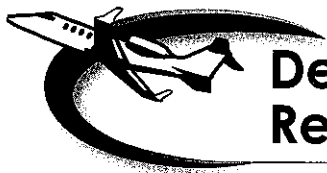
An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely 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 the compliance requirements noted above that have a direct and material effect to the program.



## Delaware County Regional Airport

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Date: June 23, 2014  
Responsible Party: Joseph Evans  
Anticipated Completion: October 1, 2014  
Finding: 2013-001

The Delaware County Airport is currently working on a system of internal control to prevent or detect and correct errors in compliance with requirements of the grant that have a direct and material effect to the Financial Statements. The Authority is aware there is no segregation of duties in place and will be taking steps to correct this problem.

Date: June 23, 2014  
Responsible Party: Joseph Evans  
Anticipated Completion: October 1, 2014  
Finding: 2013-02

The Delaware County Airport Authority is currently working on a process that will monitor the Davis Bacon and the Procurement, Suspension and Debarment requirements of the Airport Improvement Program Grant. The Authority is aware of the lack of oversight and is taking steps to correct the problem.

*Joseph Evans*

Joseph Evans



DELAWARE COUNTY AIRPORT AUTHORITY  
AUDIT RESULT AND COMMENT

***ANNUAL REPORT***

The Annual Report for 2013 contained a number of errors including receipts and disbursements that were not posted to the proper funds and did not properly reflect the financial activity of the Airport Authority. Adjustments were presented and approved by the Airport Authority to correct these errors.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

DELAWARE COUNTY AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on July 14, 2014, with Andrew Munson, Treasurer, and Joseph Evans, President of the Board.