

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ST. JOSEPH COUNTY AIRPORT AUTHORITY

ST. JOSEPH COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
10/01/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Michael Daigle	01-01-14 to 12-31-15
Treasurer	David R. Sage Dr. Jay Asdell	01-01-14 to 12-31-14 01-01-15 to 12-31-15
President of the Board	Thomas S. Botkin Abraham Marcus	01-01-14 to 12-31-14 01-01-15 to 12-31-15



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TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY AIRPORT
AUTHORITY, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the St. Joseph County Airport Authority (Airport Authority), for the period from January 1, 2014 to December 31, 2014. 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/.

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.

Any Corrective Action Plan for the Federal Finding and 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

August 12, 2015

ST. JOSEPH COUNTY AIRPORT AUTHORITY
FEDERAL FINDING

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted 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 payroll expenses. One person is solely responsible for all aspects of the payroll process. A third-party vendor processes and distributes payroll. There is no oversight, review, or approval process before payroll is submitted for processing or before payroll is distributed. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Control activities should be monitored at various levels of the Airport Authority to reduce risks to the achievement of financial reporting objectives. An evaluation of the Airport Authority's system of internal control has not been conducted related to the payroll expenses. The failure to monitor the internal control system places the Airport Authority at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Airport Authority has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Airport Authority to monitor and assess the quality of the system of internal 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 Manual for Special Districts, Chapter 10)

CORRECTIVE ACTION PLAN

Section II - Financial Statement Findings

FINDING 2014 - 001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact person:

Michael A. Guljas mguljas@sbnair.com 574-282-4590 ext. 223

Expected Completion date: 09/1/15

Corrective Action:

We feel that the internal controls of the Airport Authority are currently strong and that our system will detect misstatements or irregularities in our payroll processing.

In order to improve this process, an evaluation of the Airport Authority's system of internal control has been conducted related to the payroll process. An additional step has been created which requires a review of the payroll input by a separate employee prior to submission to the third party vendor. This additional step has been communicated to the applicable parties and is now in force.

Michael Guljas
(Signature)

DIRECTOR OF ADMINISTRATION & FINANCE
(Title)

8/12/15
(Date)

ST. JOSEPH COUNTY AIRPORT AUTHORITY
AUDIT RESULT AND COMMENT

OFFICIAL BOND

The Airport Authority did not obtain an individual Surety Bond for the Treasurer for the period September 26, 2013 through September 25, 2014.

Indiana Code 8-22-3-20(a) states in part:

"The board shall appoint a person to act as treasurer of the authority, who shall give bond in the sum and with conditions that the board prescribes and with surety that the board approves. The treasurer is appointed for a term of one (1) year unless sooner removed for cause, but may be appointed for additional terms of one (1) year. All money payable to the authority shall be paid to the treasurer, who shall deposit it under IC 5-13-6. Money so deposited may be invested in accordance with IC 5-13-9."

ST. JOSEPH COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2015, with Michael Daigle, Executive Director; Dr. Jay Asdell, Treasurer; Abraham Marcus, President of the Board; Michael Guljas, Director of Administration and Finance; and Lauren Winger, Accounting Manager.